

to close its securities depository business offered through its wholly owned subsidiaries, SCCP and Philadep, respectively, in order to focus its resources on the operations of the exchange itself.⁴ The purpose of the proposed arrangement is to enable PHLX, SCCP, and Philadep to achieve this objective while affording participants of these clearing agencies the opportunity to become participants of NSCC or DTC, as the case may be, or to utilize the services of other clearing or depository service providers.

PHLX, SCCP, and Philadep will cooperate with NSCC and DTC to assure an orderly transition with respect to the wind down of Philadep's business. In this regard, PHLX and Philadep will assist DTC and sole Philadep participants in having the participants become DTC participants to the extent that they meet DTC qualifications and desire to become DTC participants. The parties will cooperate to carry out the orderly transfer of securities from the custody of Philadep to the custody of DTC for sole Philadep participants that qualify and authorize such transfers.

Philadep believes that the proposed rule change is consistent with Section 6(b)(5)⁵ of the Act because it will enable PHLX to concentrate its efforts on its core business, the exchange itself. This strategic initiative will, in turn, remove impediments and perfect the mechanism of a free and open market and a national market system.

Philadep also believes that the proposal is consistent with Section 17A of the Act⁶ and the rules and regulations thereunder because it (i) will remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions and (ii) will reduce the fragmented nature of the securities custody business to more closely integrate the industry which may thereby help in the safeguarding of funds which are in the custody and control of a clearing agency or for which it is responsible. Specifically, the proposed arrangements will help reduce the risk associated with having interfaces, will provide for more efficient and less expensive clearing and depository services, and thereby will facilitate the prompt and accurate clearance and settlement of such transactions.

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

Philadep believes that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Securities depositories registered under Section 17A of the Act are not conventional businesses but utilities created to serve members of the securities industry for the purpose of providing certain services that are ancillary to the businesses in which industry members compete with one another. Operating a securities depository requires a substantial and continuing investment in infrastructure, including securities vaults, telecommunications links with users, data centers, and disaster recovery facilities, in order to meet the increasing needs of participants and to respond to regulatory requirements. As such, several exchanges, including the Boston Stock Exchange, the Pacific Exchange, and the Chicago Stock Exchange have terminated the operation of their securities depositories.

After consummation of the proposed arrangements, securities industry members will continue to have access to high quality, low cost depository services provided under the mandate of the Act. The overall cost to the industry of having such services available should be reduced thereby permitting a more efficient and productive allocation of industry resources. Furthermore, because most of a depository's interface costs must be mutualized, thereby requiring some participants to subsidize costs incurred by others, Philadep's withdrawal from maintaining depository facilities should reduce costs to participants and thereby should remove impediments to competition. Finally, PHLX's ability to focus its resources on the operations of the Exchange should help enhance competition among securities markets.

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

Written comments were neither solicited nor received with respect to the proposed rule change.

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 Philadep 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. 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 Philadep. All submissions should refer to File No. SR-Philadep-97-94 and should be submitted by November 5, 1997.

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. 34-39223; File No. SR-SCCP-97-07]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing of Proposed Rule Change Relating to Revision and Limitation of Clearing Services

October 8, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 25, 1997, Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

⁴ SCCP has submitted a rule filing [File No. SR-SCCP-97-04] describing the revisions and limitations of its clearing services.

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78q-1.

Commission ("Commission") and on September 30, 1997, amended the proposed rule change as described in Items I, II and III below, which items have been prepared primarily by SCCP. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The Philadelphia Stock Exchange, Inc. ("PHLX"), SCCP, Philadelphia Depository Trust Company ("Philadep"), the National Securities Clearing Corporation ("NSCC") and The Depository Trust Company ("DTC") have entered into an agreement dated as of June 18, 1997 ("Agreement") under which SCCP has agreed (i) to cease providing full securities clearing services, (ii) to make available to SCCP participants access to the facilities of one or more other organizations providing securities clearing services, and (iii) to transfer to the books of such other organizations the continuous net settlement ("CNS") system open positions of SCCP participants that are shown on SCCP's books. In addition, under the terms of the Agreement Philadep has agreed (i) to cease providing securities depository services, (ii) to make available to its participants access to the facilities of one or more other organizations providing securities depository services, and (iii) to transfer to the custody of such other organizations the securities that are held in the custody of Philadep for the accounts of such participants. Pursuant to the Agreement, SCCP and Philadep have agreed not to compete for a period of five years with DTC and NSCC in providing securities depository services or securities clearing services.

The Agreement contemplates that SCCP will continue to provide an interface between certain of its floor members and specialists and a registered clearing agency.² The Agreement further contemplates that SCCP will continue to provide margin services to (i) PHLX equity specialists for their specialists and alternate specialists transactions and for their proprietary transactions and for their proprietary transactions in securities for which they are not appointed as specialists or alternate specialists and (ii) two PHLX members listed on a schedule that are not PHLX equity specialists for their proprietary transactions. The clearing services

contemplated to be conducted by SCCP after the closing date of the Agreement³ will be carried out through an omnibus account that SCCP will maintain at NSCC for such purpose and will not include the maintenance or offering of CNS accounts for its participants.

The proposed rule change incorporates the Agreement as it relates to SCCP into SCCP's rules and procedures. In addition, the proposed rule change will amend SCCP's rules in a manner consistent with undertakings agreed to by SCCP in settling a recent administrative proceeding with the Commission.⁴

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

In its filing with the Commission, SCCP 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. SCCP has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of these statements.⁵

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

PHLX has decided to limit the clearance and settlement business provided by SCCP and to close its securities depository business offered through Philadep.⁶ The Agreement provides for an orderly process to enable PHLX, SCCP, and Philadep to achieve this objective, while affording participants of SCCP or Philadep the opportunity to become participants of NSCC or DTC, respectively, or to utilize the services of other providers of clearing services or depository services.

After the closing date, SCCP no longer will maintain its CNS system for conducting settlements between SCCP and its participants. As a result, SCCP is proposing to cease providing the cash

settlement services attendant to Philadep's same-day funds settlement services attendant to Philadep's same-day funds settlement ("SDFS") system and the Philadep settlement process. However, pursuant to the Agreement SCCP may continue to offer limited clearing and settlement services to PHLX members. SCCP intends to provide trade confirmation and recording services for PHLX members that carry out transactions through regional interface operations ("RIO") accounts and ex-clearing accounts. Under the amended versions of SCCP Rules 10 and 11, SCCP will not provide clearing guarantees to such transactions.

SCCP will continue to offer margin accounts for certain participants in a special account established by SCCP at NSCC.

Pursuant to the Agreement, SCCP will establish an omnibus clearance and settlement account at NSCC and abide by NSCC rules and procedures as a participant of NSCC. Under the Agreement, SCCP may offer margin accounts only to: (i) PHLX equity specialists for their specialists and alternate specialists transactions, as well as for their proprietary transactions in securities for which they are not appointed as specialists or alternate specialists and (ii) two PHLX members listed on a schedule who are not PHLX equity specialists for their proprietary transactions. Under the Agreement, SCCP may add other PHLX members to the schedule referred to in item (ii) above subject to NSCC's approval.

A new definition of "margin member" will be established in SCCP Rule 1 to reflect those PHLX floor firms entitled to clear through a SCCP margin account.⁷ Pursuant to the amended version of SCCP Rule 9, SCCP may provide margin accounts for margin members that clear and settle their transactions through SCCP's omnibus clearance and settlement account. SCCP will margin such accounts based on its Procedures and on Regulation T of the Board of Governors of the Federal Reserve System.⁸

SCCP may demand at any time that a margin member provide additional margin based upon SCCP's review of such margin member's security positions held by SCCP. SCCP will retain the margin thresholds currently specified in its procedures and may require adequate assurances or

³The effective date of the proposed rule change described is proposed to be the "closing date" as defined in the Agreement. The parties to the Agreement tentatively have scheduled the closing date for November 14, 1997, but this date may be adjusted by mutual consent of the parties.

⁴The text of the proposed rule change was submitted with SCCP's rule filing and is available for inspection and copying at the Commission's Public Reference Room and through the principal office of SCCP.

⁵The Commission has modified the text of the summaries prepared by SCCP.

⁶Philadep has submitted a rule filing [File No. SR-Philadep-97-04] describing the way in which Philadep will exit the depository business.

⁷Under the proposed rule change, the term "margin member" will be defined to include participants that are PHLX specialists, alternate specialists, and other PHLX floor members specifically approved by NSCC to effect trading in a margin account.

⁸12 CFR 220.

²The term *clearing agency* is defined in section 3(a)(23) of the Act. 15 U.S.C. 78c(a)(23).

additional margin in addition to the minimum margin thresholds in order to protect SCCP in issues deemed by SCCP to warrant additional protection. SCCP may demand any such margin payments in federal funds in accordance with its procedures.

SCCP may issue margin calls to any margin member whose margin requirement exceeds the account equity of the margin member's margin account.⁹ SCCP may waive any amount that would trigger a margin call not exceeding \$500. A margin member that fails to meet a margin call will be subject to SCCP Rule 22 (formerly SCCP Rule 23) which governs disciplinary proceedings and penalties. SCCP may cease to act for delinquent margin members and will retain a lien on all delinquent margin members' accounts and securities therein.

SCCP will segregate and maintain records on each individual margin account and will maintain the omnibus clearance and settlement account so as to reflect all positions in SCCP's margin accounts. SCCP also will guarantee the settlement obligations of the omnibus clearance and settlement account to NSCC. In turn, pursuant to the Agreement, PHLX will guarantee SCCP's obligations to NSCC.

SCCP's books and records for the omnibus clearance and settlement account will reflect all activity that occurs in the account at NSCC and DTC. At any time prior to midnight (Philadelphia time) on the next business day after SCCP receives a margin member's trade, SCCP will be entitled to reverse such a trade from such member's account. SCCP will settle the omnibus clearance and settlement account with NSCC each business day in accordance with NSCC's rules and procedures. Accordingly, SCCP will be subject to NSCC's rules including but not limited to the following: (i) Daily mark-to-market requirements, (ii) allocations of long and short securities positions, (iii) dividend and reorganization settlement activities, and (iv) pledging of collateral and stock loans. Dividends, reorganizations, adjustments, and buy-ins, will be passed through to margin members in accordance with SCCP's procedures. SCCP will continue to provide margin members with purchase and sales reports, bookkeeping reports, dividend and reorganization reports, and preliminary equity reports in accordance with SCCP's procedures.

⁹ Under the proposed rule change, SCCP Rule 1 will define the term "account equity" as the total net current market value of security positions held in the margin account plus or minus cash balances in such account.

Through the omnibus clearance and settlement account, SCCP will have one composite settlement per day with NSCC. SCCP will maintain line of credit ("LOC") arrangements with one or more commercial banks sufficient to support anticipated funding needs of the underlying margin accounts. SCCP currently is negotiating with lending institutions to replace its existing LOCs. During the past four months, SCCP has not exceeded an aggregate \$6 million debit with respect to the margin members targeted to remain in SCCP following the closing date. In order to cover all such margin debits, SCCP anticipates obtaining an aggregate of \$5 million in committed and \$5 million in uncommitted LOCs from each of two separate lending institutions, totaling \$20 million.

SCCP proposes to amend SCCP Rule 14 (formerly SCCP Rule 15) to provide that mark-to-market funds may not be used to finance margin members' account activity. SCCP also is amending Rule 14 to provide that any mark-to-market funds collected by SCCP will be segregated and invested in accordance with analogous procedures set forth in SCCP Rule 4. Under the amended version of SCCP Rule 13, SCCP will pass through any buy-ins submitted by NSCC to SCCP or by a SCCP participant to NSCC in accordance with NSCC's buy-in rules and procedures.

To ensure that margin members have an efficient way to obtain securities depository services after the closure of Philadep's depository service, NSCC will sponsor SCCP in opening a depository account at DTC to benefit margin members. In the event that margin members carry out trades in securities not eligible for custodial services in DTC's book-entry system, SCCP will utilize NSCC's direct clearing service to settle the transactions. SCCP will continue to perform bookkeeping and reconciliation services for the omnibus clearance and settlement account and its related DTC custody account pursuant to SCCP procedures.

In accordance with NSCC's participants fund formulae, SCCP, as a NSCC participant and a sponsored participant of DTC, will be required to provide NSCC and DTC with participants fund contributions for the omnibus clearance and settlement account. With respect to SCCP's own participants fund formulae, SCCP will delete its participants fund formulae applicable to inactive accounts, full service CNS accounts, and layoff accounts. SCCP proposes to establish a fixed \$35,000 contribution for each of the following account categories: specialist margin and non-specialist

margin. No changes will be made to the RIO account formula. Accordingly, RIO account participants will continue to be subject to a contribution of \$10,000 to \$75,000 depending upon monthly trading activity. SCCP will continue to use its current procedure under which participant engaging in more than one account type activity will be subject to only the formula that would generate the highest participants fund contribution.

SCCP may allocate any portion of its participants fund to satisfy NSCC's DTC's participants fund requirements with respect to the omnibus clearance and settlement account. Any excess SCCP participants fund cash not used to fund SCCP's NSCC and DTC participants fund requirements will be segregated and invested by SCCP in accordance with SCCP Rule 4. At the present time, SCCP estimates that its revised participants fund formulae will generate participants fund contributions in excess of the amount required to fund SCCP's participants fund contributions with NSCC and DTC. If SCCP's participants fund formulae do not provide for contributions that equal those which would be required pursuant to the NSCC and DTC participants fund formulae, SCCP reserves the right to collect from each participant an additional pro rata charge to meet any such deficit.

SCCP proposes to amend SCCP Rule 4 to specify that no participants fund contributions may be used in financing margin members' margin account activity.¹⁰ In addition SCCP proposes to amend Rule 4 to provide for the establishment of SCCP and Philadep of a reserve fund that will be used to provide a liquid fund to draw on as necessary to meet certain specified expenses. The reserve fund will be funded with deposits of \$1,000,000 by August 11, 1998; \$1,000,000 by August 11, 1999; and \$1,000,000 by August 11, 2000. The reserve fund will be held and invested in accordance with the same procedures set forth in SCCP Rule 4 for the holding and investment of the participants fund. Amounts drawn from the reserve fund must be replenished within sixth days following the date of each such withdrawal. SCCP Rule 4 also will be amended to provide that no portion of the reserve fund may be used in financing margin members' margin account activity.

SCCP is amending its schedule of fees to delete those fees associated with

¹⁰ As previously stated, SCCP is establishing separate sources of funding, including bank LOCs, to serve the operation of its margin members' margin accounts.

services no longer to be offered. SCCP also will charge RIO Accounts the applicable value fees of \$0.05 per \$1,000 of contract value.

SCCP believes the proposed rule change is consistent with the requirements of Section 17A of the Act¹¹ and the rules and regulations thereunder because the restructuring of SCCP's business as contemplated by the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions by integrating and consolidating clearing services available to the industry and will assure the safeguarding of securities and funds in the custody or control of SCCP or for which SCCP is responsible.

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

SCCP does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Securities clearing agencies registered under Section 17A of the Act are not conventional businesses but utilities created to serve members of the securities industry for the purpose of providing certain services that are ancillary to the businesses in which industry members compete with one another. Operating a securities clearing agency requires a substantial and continuing investment in infrastructure including telecommunications links with users, data centers, and disaster recovery facilities in order to meet the increasing needs of participants and respond to regulatory requirements. To date, other exchanges, including the Boston Stock Exchange, the Pacific Exchange, and the Chicago Stock Exchange have substantially terminated the operation of their securities clearing corporations.

After consummation of the proposed arrangements, securities industry members shall continue to have access to high quality, low cost clearing services provided under the mandate of the Act. The overall cost to the industry of having such services available may be reduced thereby permitting a more efficient and productive allocation of industry resources. Furthermore, because most of a clearing corporation's interface costs must be mutualized, thereby requiring some participants to subsidize costs incurred by others, SCCP's withdrawal from maintaining clearing facilities should reduce costs to participants and thereby should remove impediments to competition. Finally, PHLX's ability to focus its resources on the operations of the Exchange should

help enhance competition among securities markets.

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

Written comments were neither solicited nor received with respect to the proposed rule change.

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 SCCP 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. 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 SCCP. All submissions should refer to File No. SR-SCCP-97-04 and should be submitted by November 5, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-27278 Filed 10-14-97; 8:45 am]
BILLING CODE 8010-01-M

U.S. SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #2983]

State of Florida

Hillsborough County and the contiguous Counties of Hardee, Manatee, Pasco, Pinellas, and Polk in the State of Florida constitute a disaster area as a result of damages caused by severe thunderstorms, excessive rains, and flooding which occurred September 26 through 28, 1997. Applications for loans for physical damage may be filed until the close of business on December 4, 1997 and for economic injury until the close of business on July 6, 1998 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	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	7.250
For Economic Injury: Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere	4.000

The number assigned to this disaster for physical damage is 298306 and for economic injury the number is 961500. (Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008.)

Dated: October 5, 1997.

Aida Alvarez,
Administrator.

[FR Doc. 97-27166 Filed 10-14-97; 8:45 am]

BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

[Declaration of Economic Injury Disaster #9612]

State of Idaho; (And Contiguous Counties in Montana and Washington)

Bonner County and the contiguous Counties of Boundary, Kootenai, and Shoshone in the State of Idaho; Lincoln and Sanders Counties in the State of Montana; and Pend Oreille and Spokane Counties in the State of Washington constitute an economic injury disaster

¹¹ 15 U.S.C. 78q-1.

¹² 17 CFR 200.30-3(a)(12).