

FCO specialist will be counted as two crowd participants when determining the allocation of the FCO contracts among the trading crowd participants on parity, except in the following circumstances: (i) when there is one other trading crowd participant on parity, the FCO specialist will receive 60% of the FCO contracts making up the order; or (ii) when there are two other trading crowd participants on parity, the FCO specialist will receive 40% of the FCO contracts making up the order.

Because a customer bid/offer for under 100 FCO contracts is deemed to have time priority over all other bids/offers, such an order will not be subject to the enhanced parity split.⁶ This provision will help ensure that small customer orders are not disadvantaged by the application of the enhanced parity split. If a FCO transaction involves more than 500 contracts, those contracts exceeding the 500 contract threshold will be allocated on a pro rata basis among the crowd participants on parity.

It should be noted that the application of this enhanced parity split will be mandatory. Therefore, with respect to any FCO transaction that implicates the enhanced parity split, the FCO specialist will be required to accept the preferential allocation and may not decline the enhancement.⁷

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,⁸ in general, and with Section 6(b)(5),⁹ in particular, in that it is designed to promote just and equitable principles of trade; to prevent fraudulent and manipulative acts and practices; to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities; to remove impediments to and perfect the mechanism of a free and open market

⁶ Exchange Rule 1014(h), "Options on Foreign Currencies," Section (i), states that "all bids/offers of customer accounts for under 100 contracts have time priority over all other bids/offers" on the FCO floor. In that instance, the FCO specialist cannot be on parity with such customer so the enhanced parity split will not apply. However, because Exchange Rule 1014(h)(i) does not confer time priority on customer orders for 100 or more contracts, FCO specialists may avail themselves of the enhanced parity split when interacting with customer orders involving 100 or more FCO contracts.

⁷ Telephone conversation between Michele R. Weisbaum, Vice President and Associate General Counsel, Exchange, and Michael L. Loftus, Attorney, Division of Market Regulations, Commission (December 15, 1997).

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(5).

and a national market system; and to protect investors and the public interest. The Exchange further believes that the proposed rule change balances the competing interests of specialists and market makers while assisting specialists in making tight and liquid markets and protecting customer interests.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange did not solicit or receive written comments with respect to the proposed change.

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 in 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 reasons for so finding, or (ii) as to which the Exchange 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, NW., Washington, DC 20549. Copies of the submissions, 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 persons, 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal

office of the Exchange. All submissions should refer to File No. SR-Phlx-97-55 and should be submitted by February 13, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Jonathan G. Katz,
Secretary.

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3047]

State of California

Orange County and the contiguous Counties of Los Angeles, Riverside, San Bernardino, and San Diego in the State of California constitute a disaster area as a result of damages caused by flooding and mudslides which occurred on December 6, 1997. Applications for loans for physical damages may be filed until the close of business on March 13, 1998 and for economic injury until the close of business on October 12, 1998 at the address listed below or other locally announced locations: Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853-4795.

The interest rates are:

	Percent
For physical damage:	
Homeowners with credit available elsewhere	7.625
Homeowners without credit available elsewhere	3.812
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 304706 and for economic injury the number is 971400.

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

Dated: January 12, 1998.

Aida Alvarez,
Administrator.

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¹⁰ 17 CFR 200.30-3(a)(12).