

willing to take the entire order, the floor broker will not be able to cross of facilitate any part of the order.

Generally, new paragraph (d) will provide that, in those circumstances where a floor broker has an equity option order for 500 contracts or more that he is holding to execute ("original order"), that floor broker will have priority to cross a certain percentage of the original order against other customer orders from the same firm from which the original order originated ("originating firm") that he is holding to execute or against a firm proprietary order of the originating firm (*i.e.*, facilitation order).

The percentage to which the floor broker is entitled to execute depends upon a comparison between the original market quoted by the crowd in response to a request from the broker and the price at which the orders are traded. If the orders are traded at the best bid or offer provided by the market-makers in the trading crowd in response to the broker's initial request for a market, then the floor broker is entitled to cross 20% of the order. If the orders are traded at a price between the best bid and offer provided by the market-makers in the crowd (*i.e.*, at a price that improves the market provided by the market-makers) in response to the broker's initial request for a market, then the floor broker is entitled to cross 40% of the order.

There is precedent in the Exchange's rules for providing a participation right to the firm that has brought the order to the floor. Paragraph (e)(iii) of CBOE Rule 24A.5, *FLEX Trading Procedures and Principles*, provides for the Submitting Member of a FLEX trade (as defined in CBOE Rule 24A.1) to 25% of a trade in certain circumstances.

In the event that the originating firm is also the Designated Primary Market-Maker ("DPM") for that option class and the floor broker takes advantage of the participation right provided by this new paragraph (d) of CBOE Rule 6.74, then the DPM also shall not be entitled to the guaranteed participation rate provided by paragraph (c)(7) of CBOE Rule 8.80 for that particular trade.

The Exchange believes that the effect of this liberalization of its crossing rule will be to provide market-makers with an additional incentive to quote tighter markets in response to a request for quotes at the same time it will encourage member firms to bring their order flow to the CBOE. The Rule will also provide floor brokers with an incentive to trade at a price between the quoted bid and ask. The benefits of the tighter markets will inure to the customers. In addition, by establishing a

minimum participation right, the Rule will provide firms with the ability to participate on these trades in a more efficient manner than is available today.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5)³ of the Act, in that it is designed to remove impediments to a free and open market and to protect investors and the public interest.

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

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

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

No written comments were solicited or received with respect to the proposed rule 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 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. In particular, the Commission seeks comment on whether the proposed rule change will result in fair executions for the various orders and parties represented in the crossing transaction. Also, commenters are requested to provide their views on this rule revision in light of the proposed rule change contained in SR-CBOE-99-07, relating to "cross-only contingency" orders.⁴ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange

Commission, 450 Fifth Street, NW, Washington, DC 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 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal offices of the CBOE. All submissions should refer to File No. SR-CBOE-99-10 and should be submitted by August 6, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-18168 Filed 7-15-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41610; File No. SR-CBOE-99-07]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to "Cross-Only" Orders

July 8, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and rule 19b-4 thereunder,² notice is hereby given that on February 17, 1999, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 CBOE proposes to amend Exchange Rules 6.43, 6.53, and 6.74 to permit a broker to represent a "cross-only" contingency. The text of the

³ 15 U.S.C. 78f(b)(5).

⁴ Securities Exchange Act Release No. 41610 (July 8, 1999).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4

proposed rule change follows. Additions are italicized and deletions are bracketed.

* * * * *

Chicago Board Options Exchange, Incorporated Rules

* * * * *

Chapter VI—Doing Business on the Exchange Floor

* * * * *

Manner of Bidding and Offering

Rule 6.43.

Bids and offers to be effective must be made at the post by public outcry, except that bids and offers made by the Board Broker or Order Book Official shall be effective if displayed in a visible manner in accordance with Rule 7.7. All bids and offers shall be general ones and shall not be specified for acceptance by particular members.

. . . *Interpretations and Policies:*

.01 *Notwithstanding the provision in the above Rule that all bids and offers must be general ones, a broker may represent orders with a cross-only contingency as defined in Rule 6.53.*

* * * * *

Certain Types of Orders Defined

Rule 6.53.

(a) to (b) Unchanged.

(c) Contingency Order. A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is at the post.

(i) to (iv) Unchanged.

(v) *Cross-Only Orders. A cross-only order is a contingency order which is to be executed in whole or in part in equity options only, the amount determined by the member organization placing the order, in a cross transaction with an order for another customer or the member organization itself. If the trading crowd does not allow the cross to take place, the member organization placing the orders may withdraw the order from consideration by the crowd.*

(d) to (m) Unchanged.

* * * * *

“Crossing” Orders

Rule 6.74

(a) A floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he or she proceeds in the following manner:

(i) In accordance with [his responsibilities for] due diligence *responsibilities*, a Floor Broker shall request bids and offers for such option

series and make all persons in the trading crowd, including the Board Broker or Order Book Official, aware of his or her request.

(ii) After providing an opportunity for such bids and offers to be made, [he] *the broker* must

(A) Bid above the highest bid in the market and give a corresponding offer at the same price or at prices differing by the minimum fraction or

(B) Offer below the lowest offer in the market and give a corresponding bid at the same price or at prices differing by the minimum fraction.

(iii) If such higher bid or lower offer is not taken, *the broker* [he] may cross the order at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.

(b) A Floor Broker who holds an order for a public customer of a member organization and a facilitation order may cross such orders provided that he proceeds in the following manner.

(i) The member organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities.

(ii) In accordance with [his responsibilities for] due diligence *responsibilities*, the Floor Broker shall disclose all securities which are components of the public customer order which is subject to facilitation and then shall request bids and offers for the execution of all components of the order.

(iii) After providing an opportunity for such bids and offers to be made, the Floor Broker must, on behalf of the public customer whose order is subject to facilitation, either bid above the highest bid in the market of offer below the lowest offer in the market, identify the order as being subject to facilitation, and disclose all terms and conditions of such order. After all other market participants are given an opportunity to accept the bid or offer made on behalf of the public customer whose order is subject to facilitation, the Floor Broker may cross all or any remaining part of such order and the facilitation order at such customer's bid or offer by announcing in public outcry that he is crossing and by stating the quantity and price(s). Once such bid or offer has been made, the public customer order which is subject to facilitation has precedence over any other bid or offer in the crowd to trade immediately with the facilitation order.

(c) *A Floor Broker who holds cross-only orders as defined in 6.53(c)(v) may cross the orders by proceeding in the following manner. Prior to representing the orders to the trading crowd, the broker must make the crowd aware of the total amount of contracts the broker wishes to cross, that the orders are to be executed on a cross-only basis, and the price that he wishes to cross the orders. The price must be at or within the bid or offer.*

* * * * *

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 CBOE 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 Exchange 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 CBOE proposes to amend certain Exchange Rules to permit a member to enter and a Floor Broker to represent orders with a cross-only contingency. The purpose of the proposed rule change is to allow a Floor Broker to disclose to the trading crowd, prior to execution, that the broker wishes to cross two orders for a certain amount of contracts, at a certain price within or at the quoted bid or offer. If the crowd does not permit the broker to do this, then the cross-only contingency provides that the member placing the orders may withdraw the orders, as if they never existed in the trading crowd. The two orders the broker holds to cross under this contingency may be two customer orders or between a customer and the firm itself. There are no restrictions on who the customer may be, e.g., a customer feasibly could be a market-maker, broker-dealer, or a public customer. The cross would be done at or between the bid and offer, which benefits the customer.

The Exchange believes that by allowing for the cross-only contingency, the Exchange will help to develop public customer business and will expedite crosses yielding a similar result to what occurs on the floor currently, although currently it is done

by a much more circuitous route. With the current competition in the marketplace, the Exchange believes that by providing the cross-only contingency more firms will want to bring business to the CBOE, since the firm will have the ability to take the order elsewhere if the crowd does not allow the cross.

Although Exchange Rules currently allow a similar result as the cross-only contingency, it is much more cumbersome. The proposed rule changes provide that the broker may make the crowd aware in advance of the amount of contracts the broker wishes to cross; the price at which the cross would take place, at or between the quoted prices; and if the crowd bars the cross from taking place, the member may withdraw the orders. As the Rules stand currently, a broker does not disclose in advance that he is holding two orders to cross; the broker must bid above the highest bid or offer below the lowest offer in the open market; if the bid or offer is not taken by the crowd, then the broker may cross at the higher bid or lower offer. Thus, the difference in result between the proposed Rule and the current Rule is not substantial; however it is a much quicker result since the broker will know immediately whether the trading crowd will allow the cross to take place, and the member placing the order may withdraw the order if the cross is not allowed by the crowd.

The Exchange believes that this rule change is for the benefit of the public customer and expedites Exchange processes.

2. Statutory Basis

By permitting a broker to represent a cross-only contingency, the proposed rule change is consistent with Section 6(b) of the Act in general and further the objectives of Section 6(b)(5)³ in particular in that it is designed to promote just and equitable principles of trade, enhance competition and to protect investors and the public interest.

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

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

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

No written comments were solicited or received with respect to the proposed rule 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 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. In particular, the Commission seeks comment on whether the proposed rule change will result in fair executions for the various orders and parties represented in the crossing transaction.⁴ Also, commenters are requested to provide their views on this rule revision in light of the proposed rule change contained in SR-CBOE-99-10, relating to participation rights for firms crossing orders.⁵ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20549-0609. 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 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 Room. Copies of the filing will also be available for inspection and copying at the principal offices of the CBOE. All submissions should refer to File No. SR-CBOE-99-07 and should be submitted by August 6, 1999.

⁴The Exchange submitted a letter responding to several questions posed by the staff about the application of the proposed rule change. See Letter from Stephanie C. Mullins, Attorney, CBOE, to Nancy Sanow, Assistant Director, Division of Market Regulation, dated May 27, 1999.

⁵Securities Exchange Act Release No. 41609 (July 8, 1999).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-18169 Filed 7-15-99; 8:45 am]
BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3193]

State of Alabama (Amendment #1)

The above-numbered declaration is being amended to extend the incident period for this disaster, which is hereby established as beginning on June 14 and continuing through June 30, 1999.

All other information remains the same, i.e., the deadline for filing applications for physical damage is August 20, 1999 and for economic injury the deadline is March 21, 2000.

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

Dated: July 6, 1999.

Fred P. Hochberg,
Acting Administrator.

[FR Doc. 99-18133 Filed 7-15-99; 8:45 am]
BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3194]

State of Alabama

Madison County and the contiguous counties of Jackson, Limestone, Marshall, and Morgan in the State of Alabama, and Lincoln and Franklin Counties in the State of Tennessee constitute a disaster area as a result of damages caused by flash flooding that occurred June 14 through July 1, 1999. Applications for loans for physical damages may be filed until the close of business on Sept. 7, 1999 and for economic injury until the close of business on April 6, 2000 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	6.875
HOMEOWNERS WITHOUT CREDIT AVAILABLE ELSEWHERE	3.437

⁶17 CFR 200.30-3(a)(12).

³15 U.S.C. 78f(b)(5).