

the CBOE and Amex.¹⁹ Although Phlx's VLE, TPX and XOC options are not identical to CBOE's or Amex's, the Commission believes that, given its approval of these proposed rule changes, the Phlx's proposed increase in position and exercise limits to three times their current level is appropriate.

Finally, the Commission believes it appropriate for the Exchange to eliminate language contained in Phlx Rule 1001A and 1101A, concerning the Big Cap Index ("MKT") since MKT is no longer traded on the Exchange. The Commission also believes it is appropriate for the Exchange to delete all references to options on the Super Cap Index, as these options were delisted from the Exchange on September 29, 1999.²⁰

The Commission finds good cause to approve Amendment No. 1 to the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in the **Federal Register**. Amendment No. 1 provides for a reporting requirement for member firms that should aid the Exchange in monitoring accounts with large positions in VLE, TPX, and XOC. Amendment No. 1 also makes certain minor technical changes. Accordingly, the Commission finds that, consistent with Sections 6(b) and 19(b)(2) of the Act, there is good cause to approve Amendment No. 1 to the proposed rule changes on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1, including whether the amendments are consistent with the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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

¹⁹ See Exchange Act Release Nos. 41011 (February 1, 1999), 64 FR 6405 (February 9, 1999) (order approving File No. SR-Amex-98-38, eliminating position and exercise limits on a two year pilot basis for Institutional Index Options and Major Market Index Options and FLEX options on those index options); 40969 (January 22, 1999), 64 FR 4911 (February 2, 1999) (order approving File No. SR-CBOE-98-23, eliminating position and exercise limits on two year pilot basis for the S&P 500 Index, the S&P 100 Index, and the Dow Jones Industrial Average Index, and FLEX options on those indexes).

²⁰ See Amendment No. 1. This includes references in Phlx Rules 1079(d)(1), 1000A(b)(11), (c); 1047A(a)(i), (d), (f)(iv); and 1101A Commentary .01.

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, located at the above address. Copies of such filing will also be available for inspection and copying at the principal office of the self-regulatory organization. All submissions should refer to File No. SR-Phlx-98-55 and should be submitted by March 2, 2000.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²¹ that the proposed rule change (SR-Phlx-98-55) be approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²²

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-3088 Filed 2-9-00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42388; International Series Release No. 1213; File No. SR-Phlx-99-30]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to the Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Respecting Non-Customized Cross-Rate Foreign Currency Option Margin Levels

February 4, 2000.

I. Introduction

On August 5, 1999, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its method of calculating initial and maintenance customer margin requirements for non-customized cross-rate foreign currency options ("Cross-Rate FCOs"). The Exchange amended the proposal on October 26, 1999.³

²¹ 15 U.S.C. 78s(b)(2).

²² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 8s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange requested that the Commission approve the existing 4% add-

The Commission published notice of the proposed rule change in the **Federal Register** on November 12, 1999.⁴ The Exchange filed a second amendment to the proposal on January 19, 2000.⁵ The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

The Exchange proposes to determine the add-on margin levels for all non-customized Cross-Rate FCOs using the methodology outlined in Commentary .16 to Phlx Rule 722, in lieu of the fixed four percent rate that the Exchange currently uses.

In 1991, the Commission approved the Exchange's proposal to list and trade three non-customized Cross-Rate FCOs—German mark/Japanese yen, British pound/German mark and British pound/Japanese yen options.⁶ The Commission's 1991 order approved a four percent add-on margin level for the non-customized Cross-Rate FCOs for a one-year period only, because these products were new products and the Commission was concerned that the volatility in the underlying currencies could change significantly. Accordingly, the Commission stated that the Exchange should further analyze the add-on margin adequacy, and, within nine months, submit the analysis along with a proposed rule change to retain the margin level or establish a new level.

Based on the 1991 Order, the Exchange's customer margin

on margin for all non-customized cross-rate foreign currency options until February 4, 2000, prior to the thirtieth day after the publication of the notice thereof in the **Federal Register**; provided statistical data to substantiate the proposed rule change; and made substantive changes to the proposed rule text. See Letter from Nandita Yagnik, Counsel, Phlx, to Hong-anh Tran, Attorney, Division of Market Regulation ("Division"), Commission, dated October 25, 1999 ("amendment No. 1").

⁴ Securities Exchange Act Release No. 42093 (November 3, 1999), 64 FR 61682 (November 12, 1999) (File No. SR-Phlx-99-30).

⁵ In Amendment No. 2, the Exchange made technical changes to the proposed rule text. Specifically, the Exchange proposes to modify the introductory portion of Commentary .16 to Phlx Rule 722 to clarify that the Commentary .16 methodology applies to non-customized Cross-Rate FCOs, but not to customized Cross-Rate FCOs. The Exchange also proposes replacing the word "currency" with the term "currency pair" throughout Paragraph (c) of Commentary .16, and adding the word "the" before the word "base currency" in Paragraph (a) of the same commentary. See Letter from Nadita Yagnik, Counsel, Phlx, to Hong-anh Tran, Attorney, Division of Market Regulation ("Division"), Commission, dated January 18, 2000 ("Amendment No. 2").

⁶ See Securities Exchange Act Release No. 29919 (November 7, 1991), 56 FR 58109 (November 15, 1991) ("1991 Order"). Although the Exchange received approval for the British pound/Japanese yen Cross-rate FCO, the Exchange has not listed such a contract.

requirements for short positions for non-customized Cross-Rate FCOs equaled the add-on margin of four percent of the current market value of the foreign currency underlying the FCO contract, plus 100 percent of the market value of the FCO contract, reduced by any "out-of-the-money amounts"⁷ but in no event be less than 100 percent of the market value of the FCO contract plus a "minimum add-on margin amount"⁸ The Exchange represented that this add-on margin level was sufficient to cover each non-customized cross-rate product's historical price volatility over seven-day intervals (for the July 30, 1990 to July 30, 1991 time period) with a confidence level of at least 96 percent.

Due to an oversight, the Exchange did not file the required analysis of the adequacy of the add-on margin nor the proposed rule change within nine months of the 1991 Order. Following this discovery, the Exchange in 1999 filed a proposed rule change to temporarily codify the four percent add-on margin level while it considered a method of determining add-on margin, on a permanent basis, for all non-customized Cross-Rate FCOs.⁹ The Commission's order approving that proposed rule change permitted the Exchange to apply a four percent add-on margin level for all non-customized Cross-Rate FCOs for a six-month period until November 4, 1999.

On August 5, 1999, the Exchange filed the current proposed rule change to determine the add-on margin levels for non-customized Cross-Rate FCOs using the methodology outlined in Commentary .16 to Phlx Rule 722, in lieu of the four percent rate that the Exchange currently uses.

The Exchange currently uses the Commentary .16 methodology to calculate the add-on margin for standardized FCOs (where the base currency is denominated in U.S. dollars). The Commentary .16 methodology bases the add-on margin percentage for a foreign currency option on the volatility of the foreign currency underlying the option (the "underlying currency") relative to the "trading

currency."¹⁰ To implement this change, the Exchange proposes to amend the text of Commentary .16, and the chart in Rule 722, to clarify that the Exchange will set the add-on margin for Cross-Rate FCOs based on all five-day price movements of the base currency vis-à-vis the underlying currency for the contract.

In particular, the Exchange proposes to review five day price movements of the base currency relative to the underlying currency over the most recent three year period and would set the add-on margin level at a level sufficient to cover those price changes at least 97.5 percent of the time. If subsequent quarterly reviews show that the existing add-on margin level for any non-customized cross-rate FCO currency pair provides a confidence level below 97 percent, the Exchange would increase the add-on margin requirement for that currency pair to a level that would have covered those price movements at a 98 percent confidence level. If a subsequent quarterly review shows a confidence level between 97 percent and 97.5 percent, the add-on margin level would remain the same but would be subject to monthly follow-up reviews until the confidence level exceeds 97.5 percent for two consecutive months (then the Exchange would put it back on the quarterly review cycle). If a monthly follow-up review showed that the confidence level dropped below 97 percent, the Exchange would increase the add-on margin level to a 98 percent confidence level. Generally, if any review shows that the confidence level exceeds 98.5 percent, the Exchange would reduce the add-on margin level to a 98 percent confidence level. But to account for the possibility of unexpectedly large price movements, if any review show that a Cross-Rate FCO currency paid had a five-day price movement, either positive or negative, greater than two times the existing add-on margin level, the Exchange would set the add-on margin requirement for that currency pair to a 99 percent confidence level ("Extreme Outlier Test"). In addition to the routine reviews described above, the Exchange would continue to have authority to impose a higher margin level at any time, if market conditions so warrant.

The Exchange filed an amendment to the proposed rule change on October 26,

1999. The amendment requested that the Commission grant accelerated approval to the amendment so that the Exchange could continue to apply the four percent add-on margin for all Cross-Rate FCO products until February 4, 2000. This would provide additional time for the Commission to consider the proposed rule change, while ensuring that trading of these products would continue following November 4, 1999, when the existing four percent add-on margin would have expired.

Based on the data supplied by the Exchange on October 26, 1999 for the three-year period of July 16, 1996 through July 15, 1999, the Commentary .16 methodology would produce add-on margins for British pound/Deutsche mark and Deutsche mark/Japanese yen non-customized Cross-Rates (which are currently listed on the Exchange) of 3.5 percent and 4 percent, respectively, covering 99 percent and 97.5 percent confidence level, respectively. The British pound/Deutsche mark FCO contract would have been margined at a 99 percent confidence level because the extreme outlier test would have applied. The British pound/Japanese yen Cross-Rate contract, which is currently not listed on the Exchange, would have an add-on margin of 5 percent, covering 97.5 percent confidence level.

III. Discussion

Upon careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹¹ The Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, *inter alia*, that the rules of an exchange promote just and equitable principles of trade and facilitate transactions in securities.¹² In particular, the proposed rule change will make the required margin on non-customized Cross-Rate FCOs better reflect existing economic circumstances and therefore will better correlate the margin requirement with the risk associated with holding a short position in a non-customized Cross-Rate FCO.

The Exchange proposes to set the add-on margin based on the five-day price movements (excluding weekends) of the underlying currency relative to the base currency over the most recent three-year period, by setting the add-on margin percentage at a level that would cover those price movements at a specified confidence level, typically 97.5 percent.

⁷ For foreign currency put options, "out-of-the-money-amounts" equal the aggregate exercise price of the option minus the product of units per foreign currency contract and the closing spot price. See Phlx Rule 722(d).

⁸ For foreign currency call options, "out-of-the-money-amounts" equal the product of units per foreign currency contract and the closing spot price minus the aggregate exercise price of the option. See *id.*

⁹ The minimum add-on margin on any call carried "short" in a customer's account is equal to ¾% of the current market value of the underlying FCO contract; the minimum add-on margin on any such put option contract is equal to ¾% of the option's aggregate exercise price amount. See *id.*

⁹ See Securities Exchange Act Release No. 41365 (May 4, 1999), 64 FR 25946 (May 13, 1999) SR-Phlx-99-12 ("1999 Order").

¹⁰ The underlying currency is the currency in which a foreign currency option settles. The base currency is the currency in which premiums are quoted and paid.

The Commission finds that the use of the Commentary .16 methodology to set add-on margins for non-customized Cross-Rate FCOs, in lieu of the fixed four percent requirement the Exchange currently uses, potentially provides a more economically meaningful margin. The currencies involved in the non-customized Cross-Rate FCOs that the Exchange is authorized to list and trade—the British pound, Deutsche mark, and Japanese yen—are all relatively stable currencies and it is reasonable to assume that those currencies' future volatility will be linked to their past volatility. Also, the Exchange has the authority to apply a higher add-on margin than required by the Commentary .16 methodology, when appropriate.¹³ Use of the Commentary .16 methodology further would promote efficiency because the Exchange will not have to file a proposed rule change with the Commission each time Commentary .16 methodology changes the add-on margin levels.

The Commission finds good cause for approving Amendment No. 2 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. In Amendment No. 2, the Exchange made two general technical changes to Commentary .16 to Phlx Rule 722, by clarifying that Commentary .16 was applicable to non-customized Cross-Rate FCOs but not to customized Cross-Rate FCSs, and by clarifying that paragraph (c) of Commentary .16 focuses on currency pairs, *i.e.*, movements of currencies vis-a-vis each other. The amendment did not raise any new regulatory issues. Accordingly, the Commission believes that there is good cause to approve Amendment No. 2 to the proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 2, including whether the amendment is consistent with the Act. 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 Room. Copies of the 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-99-30 and should be submitted by March 2, 2000.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-Phlx-99-30) is approved, as amended.

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

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3232, Amdt. 2]

State of Kentucky

In accordance with a notice received from the Federal Emergency Management Agency dated January 24, 2000, the above-numbered Declaration is hereby amended to include Hancock and Henderson Counties in the State of Kentucky as a disaster area due to damages caused by tornadoes, severe storms, torrential rains, and flash flooding that occurred on January 3-4, 2000.

In addition, applications for economic injury loans from small businesses located in the contiguous County of Breckinridge, Kentucky, and Perry, Posey, and Vanderburgh Counties in Indiana may be filed until the specified date at the previously designated location. Any counties contiguous to the above-named primary counties and not listed herein have been previously declared.

All other information remains the same, *i.e.*, the deadline for filing applications for physical damage is March 10, 2000 and for economic injury the deadline is October 10, 2000.

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

Dated: February 2, 2000.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

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SOCIAL SECURITY ADMINISTRATION

Agency Information Collection Activities: Proposed Request and Comment Request

In compliance with Public Law 104-13, the Paperwork Reduction Act of 1995, SSA is providing notice of its information collections that require submission to the Office of Management and Budget (OMB). SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility and clarity; and on ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology.

I. The information collections listed below will be submitted to OMB within 60 days from the date of this notice. Therefore, comments and recommendations regarding the information collections would be most useful if received by the Agency within 60 days from the date of this publication. Comments should be directed to the SSA Reports Clearance Officer at the address listed at the end of this publication. You can obtain a copy of the collection instruments by calling the SSA Reports Clearance Officer on (410) 965-4145, or by writing to him at the address listed at the end of this publication.

1. Claimant's Medications—0960-0289. The Social Security Administration (SSA) uses Form HA-4632 to request that applicants for disability benefits provide information to facilitate processing their title II, Old-Age, Survivors and Disability Insurance (OASDI) and Title XVI, Supplemental Security Income (SSI) claims. The form elicits from the claimants an updated list of medications used by the claimants. It enables the Administrative Law Judge hearing the case to fully inquire into medical treatment the claimant is receiving and the effect of medications on the claimant's medical impairments. The respondents are applicants for OASDI and SSI benefits.

Number of Respondents: 171,939.

Frequency of Response: 1.

Average Burden Per Response: 15 minutes.

Estimated Annual Burden: 42,985 hours.

2. Statement of Employer—0960-0030. The information collected on Form SSA-7011 is needed by SSA to substantiate allegations of wages paid to workers when those wages do not appear in SSA's records of earnings and the worker does not have proof that payment was made. This information is

¹¹ In approving this rule, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

¹³ See Phlx Rule 722(i)(8).

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).