

provision allowing OCC to make a smoother transition from fractional to decimal strike prices, during which some strikes are expressed in fractions and others in decimals. Because the minimum decimal strike price increment will be one cent, there will be some fractional strike prices (*e.g.*, eighths) that cannot be converted into decimals without a loss of value. However, there will be others (*e.g.*, quarters) that convert evenly into decimals. OCC wants to avoid simultaneously expressing identical amounts in fractions and decimals. Accordingly, OCC proposes to restate the exercise prices of existing series of options decimals when the first decimal series is introduced with the same underlying interest. OCC will restate exercise prices in decimals only for series having fractional strike prices that convert evenly into dollars and cents. Thus, a strike price of  $25\frac{3}{4}$  would be expressed as 25.75. Where a fractional strike does not convert evenly into decimals, it will continue to be expressed as a fraction until the series expired. Thus, for example, a strike price of  $25\frac{1}{8}$ , which converts to 25.125, will continue to be expressed in fractions. This policy represents a compromise that will allow as many strike prices as possible in each class of options to be expressed in decimals while avoiding adjustments that would affect the substantive rights of holders and writers of options even by a small amount.

The proposed rule change is consistent with the requirements of Section 17A of the Act<sup>3</sup> and the rules and regulations thereunder applicable to OCC because it fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, removes impediments to and perfects the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, protects investors and the public interest.

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

OCC does not believe that the proposed rule change would have any material adverse impact on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. OCC will notify

the Commission of any written comments received by OCC.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>4</sup> As discussed below, the Commission believes that the rule change is consistent with this obligation because it should facilitate the prompt and accurate clearance and settlement of options during and after the transition to decimal strike prices which has already begun.

The rule change should assure that OCC's existing policies regarding minimum adjustment increments and rounding in fractions will convert smoothly to options with decimal strike prices. The rule change should allow the process of decimalization of options to proceed concurrently with the move to the process of decimalization of the underlying securities.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing because accelerated approval will permit OCC to immediately implement decimal strike pricing which will bring the pricing of such options in line with the pricing already in place for the underlying securities.

**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. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for

inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-00-7 and should be submitted by October 6, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43276; File No. SR-OCC-99-15]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Clearing Member Affiliates**

September 11, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 2, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on August 11, 2000, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by OCC. 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 proposed rule change would allow certain affiliates of a clearing member to be designated as non-customers under the Commission's hypothecation rules.

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>2</sup>

<sup>5</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

The principal purpose of the proposed rule change is to allow certain affiliates of a clearing member to be designated as non-customers under the Commission's hypothecation rules<sup>3</sup> so that the affiliates may have their transactions and positions commingled in their clearing member's firm account and/or proprietary X-M account at OCC for the purpose of receiving more favorable clearing margin treatment.<sup>4</sup> The proposed rule change creates a definition of Member Affiliate that consists of the relevant portion of the existing definition of Related Person in OCC's By-Laws. (for the sake of economy of expression and consistency, OCC proposes to replace that portion of the Related Person definition used to define Member Affiliate with the term Member Affiliate.) The proposed rule change then modifies the definition of Non-Customer to include a Member Affiliate that has executed a non-conforming subordination agreement<sup>5</sup> that has been approved by the clearing member's designated examining authority.

Additionally, the proposed rule change modifies the definition of Related Person to eliminate redundancies and to more closely parallel 17 CFR 1.3(y), which defines "proprietary account" for the purposes of the Commodity Exchange Act's regulations.<sup>6</sup> The proposed rule no longer refers to spouses of "any such person" (i.e., any officer, director, or general or special partner) which was redundant because the rule already covers spouses of "any non-customer of the clearing member" and the definition of Non-Customer includes officers, directors, or general or special partners. Additionally, in order to conform OCC rules with Section 1.3(y)'s definition of "proprietary account" the proposed rule

<sup>3</sup> 17 CFR 240.8c-1 and 15c2-1.

<sup>4</sup> See also no-action letter from Michael A. Macchiaroli, Associate Director, Division of Market Regulation, Commission, to William H. Navin, Executive Vice President and General Counsel, OCC, (June 15, 2000).

<sup>5</sup> Non-conforming subordination agreements are subordination agreements that do not meet the requirements of Appendix D of Rule 15c3-1.

<sup>6</sup> As defined, a Related Person is essentially a person whose account would be a "proprietary account" under the rules of the Commodity Futures Trading Commission but who is nevertheless a "customer" for purposes of the Commission's hypothecation rules cited above. Market Makers who are Related Persons of a clearing member are deemed to be Associated Market Makers and are excluded from the Combined Market Maker Account under Article VI, Section 3(c) of OCC's By-Laws.

change clarifies that not only are spouses and minor dependents of non-customers Related Persons but also that the spouses and minor dependents of certain employees are also Related Persons.

The proposed rule change is consistent with the purpose and requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder applicable to OCC because the proposed rule change will assure the safeguarding of securities and funds which are in OCC's custody or control and for which OCC is responsible, foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, protect investors and the public interest.

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

OCC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

**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 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. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-99-15 and should be submitted by October 6, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3292]**

**State of Alabama**

Autauga County and the contiguous counties of Chilton, Dallas, Elmore, Lowmes, and Montgomery in the State of Alabama constitute a disaster area due to damages caused by flash flooding that occurred on September 1, 2000.

Applications for loans for physical damage as a result of this disaster may be filed until the close of business on November 9, 2000 and for economic injury until the close of business on June 8, 2001 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:

For Physical Damage:		
Homeowners with credit available elsewhere .....		7.375
Homeowners without credit available elsewhere .....		3.687
Businesses with credit available elsewhere .....		8.000
Businesses and non-profit organizations without credit available elsewhere .....		4.000

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 17 CFR 200.30-3(a)(12).