

available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-98-01 and should be submitted by August 26, 1998.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 98-20871 Filed 8-4-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[(Release No. 34-40278; File No. SR-NYSE-98-14)]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Margin Requirements

July 29, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 28, 1998, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NYSE. 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 NYSE proposes to amend NYSE Rule 431, "Margin Requirements," to revise the margin requirements for non-equity securities and to expand the types of non-equity securities eligible for exempt account treatment. Specifically, the NYSE proposes to revise NYSE Rule 431 to: (1) provide that the margin requirement for highly rated foreign sovereign debt securities will be the amounts specified currently in NYSE Rule 431(e)(2)(A) for U.S. debt securities,² (2) reduce the margin for exempted securities other than U.S. debt securities from 15% to 7% of the current market value (NYSE Rule 431(e)(2)(B)); and (3) reduce the margin for investment grade debt securities

from 20% to 10% of the current market value (NYSE Rule 431(e)(2)(C)(i)). The margin for all other listed non-equity securities, and for all other marginable non-equity securities, will remain at 20% of the current market value or 7% of the principal amount, whichever is greater. In addition, the NYSE proposes several changes with regard to exempt accounts. Specifically, the NYSE proposes to: (1) modify the definition of "exempt account;" (2) require no margin for exempt account transactions involving mortgage-related securities and major foreign sovereign debt securities (NYSE Rule 431(e)(2)(F)); and (3) require margin equal to 0.5% of current market value for exempt account transactions involving highly rated foreign debt securities and margin equal to 3% of current market value for exempt account transactions involving all other investment grade debt securities (proposed NYSE Rule 431(e)(2)(G)).³ The NYSE also proposes to adopt NYSE Rule 431(e)(2)(H), which will limit the amount of uncollected marked to market losses which may be deducted from a member organization's net capital.

Copies of the proposed rule change are available at the NYSE and at the Commission.

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 NYSE 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 NYSE has prepared summaries, set forth in Sections A, B, the C below, of the most significant aspects of such statements.

³The text of proposed NYSE Rule 431(e)(2)(G)(i) indicates that the required margin for exempt account transactions involving highly rated foreign sovereign debt will be .5% of current market value. However, in the portion of the filing describing the proposed rule change, the NYSE indicates that the proposed margin level for exempt account transactions involving highly rated foreign sovereign debt will be .05% of current market value. The NYSE clarified that the proposed margin requirement for these securities is .5% of current market value. Telephone conversation between Donald van Weezel, Managing Director, Regulatory Affairs, NYSE, and Yvonne Fraticelli, Attorney, Division of Market Regulation, Commission, on May 20, 1998.

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

(1) Purpose

The NYSE proposes to amend NYSE Rule 431 to revise the margin requirements for non-equity securities and to expand the types of non-equity securities eligible for exempt account treatment. According to the NYSE, Regulation T of the Board of Governors of the Federal Reserve System ("FRB"), which establishes initial margin requirements, currently provides that transactions in non-equity securities are subject to "good faith" requirements when done in a margin account and have no FRB margin requirements when done in a "good faith" account. Therefore, the maintenance margin requirements of NYSE Rule 431 are particularly important because they provide ongoing safety and soundness levels for positions maintained in customers' accounts.

The NYSE proposes to revise NYSE Rule 431 to: (1) provide that the margin for highly rated foreign sovereign debt securities⁴ will equal the margin required for U.S. debt securities under NYSE Rule 431(e)(2)(A);⁵ (2) reduce the margin for exempted securities other than U.S. debt securities from 15% to 7% of the current market value (NYSE Rule 431(e)(2)(B)); and (3) reduce the margin for investment grade debt securities⁶ from 20% to 10% of the

⁴The NYSE's proposal defines "highly rated foreign sovereign debt securities" as debt securities (including major foreign sovereign debt securities) issued or guaranteed by the government of a foreign country, its provinces, states or cities, or a supranational entity, if at the time of the extension of credit [regarding] (sic) the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top two rating categories by at least one nationally recognized statistical rating organization. See proposed NYSE Rule 431(a)(9).

⁵NYSE Rule 431(e)(2)(A) establishes the following margin requirements for U.S. government debt: (1) 1% of the current market value for obligations with less than one year to maturity; (2) 2% of the current market value for obligations with one year but less than three years to maturity; (3) 3% of the current market value for obligations with three years but less than five years to maturity; (4) 4% of the current market value for obligations with five years but less than ten years to maturity; (5) 5% of the current market value for obligations with ten years but less than 20 years to maturity; and (6) 6% of the current market value for obligations with 20 years or more to maturity.

⁶The proposal defines *investment grade debt securities* as any debt securities (including those issued by the government of a foreign country, its provinces, states or cities, or a supranational entity), if at the time of the extension of credit [regarding] (sic) the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The margin required for U.S. government obligations under NYSE Rule 431(e)(2)(A) varies according to the length of time to maturity.

current market value (NYSE Rule 431(e)(2)(C)(i)). The margin for all other listed non-equity securities,⁷ and for all other marginable non-equity securities⁸ will remain at 20% of the current market value or 7% of the principal amount, whichever is greater (NYSE Rule 431(e)(2)(C)(ii)).

The NYSE states that the proposed amendments to NYSE Rule 431 will provide for margin requirements on non-equity securities commensurate with the risks associated with positions in such securities held by customers. According to the NYSE, the proposed margin percentages for retail customers for investment grade debt securities and municipal securities will be comparable to the highest haircut percentages provided in the SEC's net capital rule⁹ for proprietary positions in similar securities.

The NYSE notes that NYSE Rule 431 currently contains margin requirements specifically addressing transactions with exempt accounts involving exempt securities and mortgage-related securities. These requirements are lower than those applicable to transactions in such securities with accounts other than exempt accounts. In NYSE Rule 431(a)(13), the NYSE proposes to define "exempt account" to mean a member organization, non-member broker-dealer, "designated account," or any person having a net worth of at least \$40

ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top four rating categories by at least one nationally recognized statistical rating organization.

⁷The proposal defines *listed non-equity securities* to mean any non-equity securities that: (1) are listed on a national securities exchange; or (2) have unlisted trading privileges on a national securities exchange. See proposed NYSE Rule 431(a)(15).

⁸The proposal defines *other marginable non-equity securities* as (1) any debt securities not traded on a national securities exchange that meet all of the following requirements: (a) at the time of the original issue, a principal amount of not less than \$25,000,000 of the issue was outstanding; (b) the issue was registered under Section 5 of the Securities Act of 1933 and the issuer either files periodic reports pursuant to the Act or is an insurance company under Section 12(g)(2)(G) of the Act; and (c) at the time of the extension of credit, the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; or (2) any private pass-through securities (not guaranteed by a U.S. government agency) that meet all of the following requirements: (a) an aggregate principal amount of not less than \$25,000,000 was issued pursuant to a registration statement filed with the Commission under Section 5 of the Securities Act of 1933; (b) current reports relating to the issue have been filed with the Commission; and (c) at the time of the credit extension, the creditor has a reasonable basis for believing that mortgage interest, principal payments, and other distributions are being passed through as required and that the servicing agent is meeting its material obligations under the terms of the offering. See proposed NYSE Rule 431(a)(16).

⁹See SEC Rule 15c3-1.

million. The proposal increases the financial threshold for a customer to be considered an exempt account from \$16 to \$40 million. The NYSE also proposes to revise its definition of designated account.¹⁰

In proposed NYSE Rule 431(e)(2)(G), "Transactions with Exempt Accounts Involving Highly Rated Foreign Sovereign Debt Securities and Investment Grade Debt Securities," the NYSE proposes to provide lower margin requirements for exempt account transactions in highly rated foreign sovereign debt, investment grade foreign sovereign debt, and other investment grade non-equity securities. According to the NYSE, the proposed margin requirements recognize both the quality of the securities and the creditworthiness of the customer and, accordingly, are intended to maintain reasonable safety and soundness standards. For transactions in these types of securities by exempt accounts, member organizations will be required to either take net capital charges or to collect margin equal to marked to market losses and any percentage requirements under the rule. The percentage requirements will be:

3% of current market value for all investment grade corporate debt and for foreign sovereign debt in the lower two investment grade categories; and .5% of current market value for foreign sovereign debt in the second highest investment grade category (*i.e.*, highly rated foreign sovereign debt securities).

Under revised NYSE Rule 431(e)(2)(F), "Transactions with Exempt Accounts Involving Certain 'Good Faith' Securities," the highest grade foreign sovereign debt security (*i.e.*, major foreign sovereign debt securities)¹¹ and

¹⁰Specifically, the NYSE proposes to revise the current definition of "designated account" in NYSE Rule 431(a)(3) to indicate that a designated account means the account of: (1) a bank, as defined in Section 3(a)(6) of the Act; (2) a savings association, as defined in Section 3(b) of the Federal Deposit Insurance Act, the deposits of which are insured by the Federal Deposit Insurance Corporation; (3) an insurance company, as defined in Section 2(a)(17) of the Investment Company Act of 1940; (4) an investment company registered with the SEC under the Investment Company Act of 1940; (5) a state or a political subdivision thereof; or (6) a pension or profit sharing plan subject to ERISA or of an agency of the United States or of a state or a political subdivision thereof. NYSE Rule 431(a)(3) currently defines "designated account" as the account of a bank, trust company, insurance company, investment trust, state or political subdivision thereof, charitable or nonprofit educational institution regulated under the laws of the United States or any state, or pension or profit sharing plan subject to ERISA or of an agency of the United States or of a state or a political subdivision thereof.

¹¹The proposal defines "*major foreign sovereign debt securities*" a any debt securities issued or

mortgage-related securities will be accorded the same treatment as U.S. Government securities in that no margin will be required and marked to the market losses need not be collected, subject to the limits in proposed NYSE Rule 431(e)(2)(H), "Limits on Net Capital Deductions for Exempt Accounts." Currently, investment grade foreign sovereign debt is treated the same as marginable corporate debt, which requires 20% margin.

Proposed NYSE Rule 431(e)(2)(H) will impose limitations on the amount of any uncollected marked to market losses which are being deducted from a member organizations' net capital under proposed NYSE Rule 431(e)(2)(F) and 431(e)(2)(G). The limits will be established at 5% of Tentative Net Capital (Net Capital before deductions on securities) for *each* exempt account, and 25% of Tentative Net Capital for *all* exempt accounts combined. When marked to market losses exceeding these limits continue to exist on the fifth business day after they were incurred, the member organization must provide the Exchange with written notification and may not enter into any new transactions that would result in an increase in the amount of the excess.

Finally, the NYSE's proposal contains a new definition section, which, among other things, specifically defines the following types of non-equity securities: "highly rated foreign sovereign debt securities" (proposed NYSE Rule 431(a)(9)); "investment grade debt securities" (proposed NYSE Rule 431(a)(10)); "major foreign sovereign debt securities" (proposed NYSE Rule 431(a)(11)); "listed non-equity securities" (proposed NYSE Rule 431(a)(15)); and "other marginable non-equity securities" (proposed NYSE Rule 431(a)(16)).

The defined terms categorize certain types of non-equity securities for purposes of prescribing the applicable margin requirements.

(2) Statutory Basis

The NYSE believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act, which provides that the rules of the

guaranteed by the government of a foreign country or a supranational entity, if, at the time of the extension of credit [regarding] (sic) the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top four rating categories by at least one nationally recognized statistical rating organization. See proposed NYSE Rule 431(a)(11).

Exchange must be designed to promote just and equitable principles of trade and to protect the investing public. The NYSE believes that the proposed rule change is also consistent with the rules and regulations of the FRB for the purpose of preventing the excessive use of credit for the purchase or carrying of securities, pursuant to Section 7(a) of the Act.

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

The Exchange believes that the proposed rule change will not impose any burden on competition that is not necessary or appropriate in furthermore of the purposes of the Act.

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.

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 by order approve such proposed rule change, or 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. 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 such filing will also be available for inspection and copying at

the principal office of the NYSE. All submission should refer to file number SR-NYSE-98-14 and should be submitted by August 26, 1998.

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

Margaret H. McFarland,
Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

Reporting and Recordkeeping Requirements Under OMB Review

AGENCY: Small Business Administration.
ACTION: Notice of reporting requirements submitted for OMB review.

SUMMARY: Under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35), agencies are required to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the **Federal Register** notifying the public that the agency has made such a submission.

DATES: Submit comments on or before September 4, 1998. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer before the deadline.

COPIES: Request for clearance (OMB 83-1), supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer.

ADDRESSES: Address all comments concerning this notice to: Agency Clearance Officer, Jacqueline White, Small Business Administration, 409 3rd Street, S.W., 5th Floor, Washington, D.C. 20416; and OMB Reviewer, Victoria Wassmer, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, D.C. 20503.

FOR FURTHER INFORMATION CONTACT: Jacqueline White, Agency Clearance Officer, (202) 205-6629.

SUPPLEMENTARY INFORMATION:
Title: Disclosure Statement.

Form No.: 856.
Frequency: Biannually.
Description of Respondents: Small Business Investment Companies.
Annual Responses: 200.
Annual Burden: 200.

Title: Application for Pool of Guaranteed Interest Certificates.

¹² 17 CFR 200.30-(a)(12).

Form No: 1454.
Frequency: On Occasion.
Description of Respondents: SBA Loan Pool Assemblers.
Annual Responses: 450.
Annual Burden: 1350.

Dated: July 29, 1998.

Jacqueline White,
Chief, Administrative Information Branch.
[FR Doc. 98-20861 Filed 8-4-98; 8:45 am]
BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3107]

State of New Hampshire

As a result of the President's major disaster declaration on July 2, 1998 for emergency assistance only, and an amendment thereto on July 14, 1998 adding Individual Assistance, I find that Belknap, Carroll, Grafton, Merrimack, and Rockingham Counties in the State of New Hampshire constitute a disaster area due to damages caused by severe storms and flooding beginning on June 12, 1998, and continuing. Applications for loans for physical damages as a result of this disaster may be filed until the close of business on September 12, 1998, and for loans for economic injury until the close of business on April 14, 1999 at the address listed below or other locally announced locations:

U.S. Small Business Administration, Disaster Area 1 Office, 360 Rainbow Blvd., South, 3rd Floor, Niagara Falls, NY 14303.

In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the above location: Coos, Hillsborough, Strafford, and Sullivan Counties in New Hampshire, and Oxford and York Counties in Maine.

Any counties contiguous to the above-named primary counties and not listed herein have been previously declared under a separate declaration for the same occurrence.

The interest rates are:

	Percent
Physical Damage:	
Homeowners With Credit Available Elsewhere	7.000
Homeowners Without Credit Available Elsewhere	3.500
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