

6(b)(5)⁵, in particular, in that it is designed to promote just and equitable principles of trade.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance 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

Written comments on the proposed rule change were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)⁶ of the Securities Exchange Act of 1934 and subparagraph (f)(3) of Securities Exchange Act Rule 19b-4 thereunder⁷ because it is concerned solely with the administration of the Exchange. At any time within 60 days of this filing, the Commission may summarily abrogate this rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 Room, 450 Fifth Street, NW., Washington, DC. Copies of such filing

will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-00-44 and should be submitted by December 26, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-30720 Filed 12-1-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43623; File No. SR-PCX-00-04]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Buy-Writes & Book Priority

November 27, 2000.

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 March 3, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 Exchange is proposing to amend its rules to facilitate the execution of stock/option orders on the Exchange. Below is the text of the proposed rule change. Proposed new language is *italicized* and proposed deletions are in [brackets].

* * * * *

¶ 5139 Priority of Bids and Offers

Rule 6.75. Except as provided by Rule 6.76 below, the following rules of priority shall be observed with respect to bids and offers:

(a)-(c) No change.

(d) Notwithstanding anything in paragraphs (a) and (b) to the contrary, when a member *is* holding a spread order, a straddle order, or a combination order, *or stock/option order and is* bidding or offering on the basis of a total credit or debit for the order *and* has

determined that the order may not be executed by a combination of transactions with or within the bids and offers displayed by the Order Book Official or other members, in procedures determined by the Options Floor Trading Committee, then the order may be executed as a spread, straddle, or combination, *or stock/option order* at the total credit or debit with one or more members without giving priority to bids or offers for the individual option series of the Order Book Official or of other members at the post that are no better than the bids or offers comprising such total credit or debit.

Commentary: .01-.03—No change.

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 Exchange 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 Exchange's priority rules for options provide, in general, that the highest bids and lowest offers have priority over other bids and offers, except that orders in the Limit Order Book have priority over other bids and offers at the same price.³ The rules further provide if there are two or more bids (or offers) representing the highest bid (or lowest offer), and no orders in the Limit Order Book are involved, then priority is afforded to those bids (or offers) in the sequence in which they were made.⁴ PCX Rule 6.75(d) currently allows three exceptions to the priority rules with respect to "spread orders,"⁵ "straddle orders,"⁶ and "combination

³ See PCX Rules 6.75(a)-(b).

⁴ *Id.*

⁵ A "spread order" is an order to buy a stated number of option contracts and to sell the same number of contracts (or contracts representing the same number of shares of the underlying security) of the same class of options. See PCX Rule 6.62(d).

⁶ A "straddle order" is an order to buy or to sell the same number of options of each type with respect to the same underlying security and having the same exercise price and expiration date (e.g., an

Continued

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(3).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

orders.”⁷ As discussed below, the Exchange is now proposing to add a fourth exception, for stock/option orders,⁸ including those that are commonly known as “buy-writes.”

Currently, under Rule 6.75(d), when a member is holding a spread order, a straddle order or combination order, and is bidding or offering on the basis of a total credit or debit for the order, and has determined that the order may not be executed by a combination of transactions with or within the bids and offers displayed by the Order Book Official or other members, then the order may be executed as a spread, straddle or combination at the total credit or debit with one or more members without giving priority to bids or offers for the individual option series of the Order Book Official or of other members at the post that are no better than the bids or offers comprising such total credit or debit.

For example, a spread order may be executed as follows: assume that a floor broker is holding a spread order that requires selling 20 June 25 XYZ calls and buying 20 July 25 XYZ calls, and further assume that there is an order in the book to buy 5 June 25 XYZ calls and there are no orders in the book to sell July 25 XYZ calls. The floor broker could attempt to execute the spread order as three separate transactions: (1) Sell 5 June 25 calls to the Book; (2) sell 15 June 25 calls to the trading crowd; and (3) buy 20 July 25 calls from the trading crowd. If the customer's order specified a limit price of a specific debit amount—\$1, for example—the order might theoretically be filled in this manner. Thus, if the broker could sell

order to buy two XYZ July 50 calls and to buy two XYZ July 50 puts is a straddle order.) In the case of adjusted options contracts, a straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying security. See PCX Rule 6.62(g).

⁷ A “combination order” is an order involving a number of call option contracts and the same number of put option contracts with respect to the same underlying security. In the case of adjusted options contracts, a combination order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares of the underlying security. See PCX Rule 6.62(h).

⁸ A stock/option order is an order to buy or sell a stated number of units of an underlying or a related security coupled with either: (i) The purchase or sale of option contract(s) of the same series on the opposite side of the market representing the same number of units of the underlying or related security; or (ii) the purchase and sale of an equal number of put and call option contracts, each having the same exercise price, expiration date and number of units of the underlying or related security, on the opposite side of the market representing in aggregate twice the number of units of the underlying or related security See PCX Rule 6.62(j).

all 20 June calls at 4 and buy all 20 July calls at 5, the spread order could be filled as long as the customer's limit price was no more than a debit of \$1. However, if the order in the book was to buy the June calls at 4, and the crowd was bidding 3 $\frac{7}{8}$ for those calls, the broker could not fill the orders at the customer's limit price. In this example, the broker is placed at undue market risk in attempting to execute the order as separate transactions. If the broker sold 5 June calls to the book and, while consummating the trade, the XYZ stock ticks up $\frac{1}{2}$ a point, the crowd would likely be unwilling to trade the remaining calls at a price that is within the customer's limit. The broker is then left with an error.

To avoid that problem, floor brokers typically call for a quote from the crowd for the entire spread. Following the previous example involving the June/July call spread, the trading crowd might provide a bid of \$1 credit for the spread, which would satisfy the customer's limit price. This may occur, in accordance with Rule 6.75(d), even though one leg of the spread has traded at a price equal to the price of an order in the book on the other side of the market, i.e., it “touches the book.” The rationale for this exception is, as described previously, that without it a broker would assume undue risk in executing the spread order and many spread orders would otherwise remain unexecuted.

A similar problem exists for stock/option orders, such as buy-writes, which involve writing call options and purchasing the underlying stock.⁹ For example, a customer may want to sell 10 XYZ July calls and buy 1000 shares of XYZ stock. The broker will typically enter the trading crowd and call for a market for the buy-write. The crowd will generally provide a two sided market expressed in the form of a total debit or credit—for example, \$1 bid, \$1 $\frac{1}{2}$ offered—which will represent both the market to “buy” the buy-write (\$1) as well as the market to “sell” the buy-write (\$1 $\frac{1}{2}$). If the customer is a seller and accepts the trading crowd's \$1 bid

on the transaction, then the stock and option portions of the trade will both have to be completed before the trade is fully consummated.¹⁰

Following the previous example, assume that the market in the underlying stock is 65 $\frac{7}{8}$ –66 $\frac{1}{8}$ and the market in the overlying July 65 calls is 2–2 $\frac{1}{4}$. The customer would receive an execution at a total credit of \$1 if the stock is executed at \$66 and the calls are executed at \$2. However, if the stock trades at 66 $\frac{1}{8}$, the price of the option could be adjusted to 1 $\frac{7}{8}$, so that the net debit is \$1.

To complicate this matter, if there is an order in the book to buy 5 July 65 calls at 2, the buy-write cannot be executed unless either the stock trades at a price other than 66 or the trading crowd is willing to trade the buy-write with a stock/option ratio other than one-to-one. This is the case because, under PCX Rule 6.75, buy-writes are not afforded the same priority rule exemption that applies to spread, straddle and combination orders. Instead, buy-writes are only afforded a limited exemption to the priority rule, i.e., “a stock/option order has priority over the bids and offers of members in the trading crowd, but not over the bids and offers of the Order Book Official.”

Therefore, the Exchange is proposing to modify Rule 6.75 to provide stock/option orders with the same exemptive relief from Rule 6.75(a)–(b) that currently applies to spread orders, straddle orders and combination orders. The Exchange believes that this rule change will facilitate transactions in securities because it will allow floor brokers to execute stock/option orders more promptly, as a single package, without regard to other orders that may be in the Order Book at the time. This

¹⁰ See Options Floor Procedure Advice A–6, which provides in part:

“When a stock/option order is taken to a crowd for execution, the stock transaction must be effected prior to the option transaction pursuant to Rule 6.47, Commentary .04. The following procedure should be observed:

After agreement with other members of the crowd has been reached as to the terms of the transaction, the option order tickets shall be written up and time-stamped. However, the order tickets should not be turned in to the Order Book Official at this time. The members shall attempt to immediately affect the transaction in the underlying or related security. If the stock transaction cannot be executed immediately or is effected at a price different than the agreed-upon price, the members shall not be held to the option transaction. If the stock transaction is effected at the agreed-upon price, than all the members who participated in the option transaction shall be held to their agreed-upon price. At the time the stock transaction is effected, the option trade tickets should be given to the Order Book Official.

This procedure applies to all executions of stock/option orders.”

[Citation omitted in original].

⁹ This strategy is also referred to as “covered call writing.” As stated in the *Characteristics and Risks of Standardized Options*:

“If the writer of a physical delivery call option owns or acquires the amount of the underlying interest that is deliverable upon exercise of the call, he is said to be a covered call writer. EXAMPLE: An individual owns 100 shares of XYZ common stock. If he writes one physical delivery XYZ call option—giving the holder the right to purchase 100 shares of the stock at a specified exercise price—this would be a covered call. If he writes two such XYZ calls, one would be covered and one would be uncovered.”

[Citation omitted in original].

will allow brokers to focus on other orders they are representing. It will allow brokers to avoid undue liability and to avoid having to spend an inordinate amount of time in executing stock/option orders in compliance with the current restrictions of Rule 6.75 relating to orders in the order book. It will also allow stock/option orders to be executed when otherwise they might not be executed under Rule 6.75. The Exchange believes that the current exemptions for spread, straddle and combination orders under Rule 6.75 should be extended to include stock/option orders based upon just and equitable principles of trade.

2. Basis

The Exchange believes that this proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5),¹² in particular, in that it is designed to facilitate transactions in securities, promote just and equitable principles of trade, and to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance 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

Written comments on the proposed rule change were neither solicited nor 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—

(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 proposal 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 Room. Copies of such filing will also be available for inspection and copying at the principal office at the PCX. All submissions should refer to File No. SR-PCX-00-04 and should be submitted by December 26, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-30769 Filed 12-1-00; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3305; Amendment No. 2]

State of Arizona

In accordance with a notice received from the Federal Emergency Management Agency, dated November 27, 2000, the above-numbered Declaration is hereby amended to include Yavapai County in the State of Arizona as a disaster area due to damages caused by severe storms and flooding which occurred beginning on October 21, 2000 and continuing through November 8, 2000.

In addition, applications for economic injury loans from small businesses located in the contiguous county of Coconino, Arizona may be filed until the specified date at the previously designated location. All other contiguous counties have been previously declared.

All other information remains the same, *i.e.*, the deadline for filing applications for physical damage is December 26, 2000 and for economic injury the deadline is July 27, 2001.

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

Dated: November 28, 2000.

Herbert L. Mitchell,

Acting Associate Administrator for Disaster Assistance.

[FR Doc. 00-30778 Filed 12-1-00; 8:45 am]

BILLING CODE 8025-01-U

SMALL BUSINESS ADMINISTRATION

[License #09/09-0386]

First Commerce & Loan, L.P.; Notice of License Surrender

Notice is hereby given that First Commerce & Loan, L.P. ("First Commerce"), an Arizona limited partnership, has surrendered its license to operate as a small business investment company under the Small Business Investment Act of 1958, as amended ("the Act"). First Commerce was licensed by the Small Business Administration on October 19, 1990.

Under the authority vested by the Act and pursuant to the regulations promulgated thereunder, the surrender of the license was accepted on November 9, 2000, and accordingly, all rights, privileges, and franchises derived therefrom have been terminated.

(Catalog of Federal Domestic Assistance Program No. 59-011, Small Business Investment Companies)

Dated: November 28, 2000.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 00-30777 Filed 12-1-00; 8:45 am]

BILLING CODE 8025-01-U

SMALL BUSINESS ADMINISTRATION

Nondiscrimination on the Basis of Sex in Education Programs or Activities Receiving Federal Financial Assistance

AGENCY: U.S. Small Business Administration (SBA).

ACTION: Notice of the U.S. Small Business Administration Financial Assistance Programs Subject to Title IX of the Education Amendments of 1972, as amended.

SUMMARY: In accordance with Subpart F of the final common rule for the enforcement of Title IX of the Education Amendments of 1972, as amended ("Title IX"), this notice lists federal financial assistance administered by the U.S. SBA that is covered by Title IX. Title IX prohibits recipients of federal financial assistance from discriminating on the basis of sex in education programs or activities. Subpart F of the

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ 17 CFR 200.30-3(a)(12).