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

1. Purpose

The purpose of the proposed change is to impose additional requirements and prohibitions on specialists, and others, when the Exchange is the primary market in a particular issue ("exclusive issue"). The rule proposal is designed to prohibit specialist units registered in an exclusive issue from engaging in business transactions 2 with the issuer.3 It is also intended to promote fair dealings in exclusive issues by prohibiting certain types of transactions 4 without first securing the approval of floor officials. Furthermore, the proposal makes the "equalizing" exemption in paragraph (e)(5) of SEC Rule 10a-1 unavailable for specialists and market makers when selling short an exclusive issue.5 Finally, the proposal includes a definition of an exclusive issue. The CHX specialists are provided a statistical report on a monthly basis containing data regarding trade and share volume of each issue by exchange. Thus, a specialist will be aware—by reviewing the monthly report—if exclusive issue obligations

have been triggered and will be responsible for conducting his business accordingly.⁷

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, 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 a burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 35 days of the 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 the 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. 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-94-22 and should be submitted by February 14, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area #2760]

California; Declaration of Disaster Loan Area

As a result of the President's major disaster declaration on January 10, 1995, and amendments thereto on January 12, 13, and 16, I find that the following counties in the State of California constitute a disaster area as a result of damages caused by flooding beginning on January 3, 1995 and continuing: Alameda, Amador, Butte, Colusa, Contra Costa, Del Norte, Glenn, Humboldt, Kern, Lake, Lassen, Los Angeles, Marin, Mendocino, Modoc, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Bernardino, San Diego, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sonoma, Sutter, Tehama, Trinity, Ventura, Yolo, and Yuba. Applications for loans for physical damage may be filed until the close of business on March 13, 1995, and for loans for economic injury until the close of business on October 10, 1995, at the address listed below:

U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853-4795 or other locally announced locations. 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: Alpine, Calaveras, El Dorado, Fresno, Imperial, Inyo, Kings, Merced, San Benito, San Francisco, San Joaquin, Sierra, Siskiyou, Solano, Stanislaus, and Tulare Counties in California; Curry, Josephine, Klamath, and Lake Counties in Oregon; Clark and Washoe Counties in Nevada: and LaPaz and Mohave Counties in

Arizona.

² The term "business transaction" is intended to be interpreted broadly to include, for example: Loans, purchase of assets from the issuer, and acquisition of any beneficial ownership of shares of such issuer.

³ In addition to the specialist unit, the proposed rule extends to any co-specialist or other associated person, officer, director, partner or employee of a specialist unit registered in the exclusive issue.

⁴ The specific types of transactions are listed in CHX proposed Rule 23(b)(2), and include transactions such as a purchase at a price above the last sale in the same session and a proposed transaction involving a price movement of ½ point or more.

^{5 17} CFR § 240.10a-1(e)(5). Rule 10a-1 generally prohibits persons from effecting a short sale of a registered security (a) below the price of the last sale, or (b) at such price if it is lower than the last sale at a different price, the exception provided for in paragraph (e)(5) permits registered specialists or registered exchange market makers (or a third market maker for its own account over-the-counter) to effect, for their own account, a sale (a) at a price equal to or above the last sale, or (b) at a price equal to the most recent offer communicated for the security by such registered person if such offer, when communicated, was equal to or above the last sale. In addition, the Rule expressly provides that an exchange may prohibit its registered specialists and market markers from availing themselves of the exemption if the exchange determines that such action is necessary or appropriate in its market, in the public interest, or for the protection of

⁶An "exclusive" issue is defined in the proposed rule as the stock of any company traded on the Exchange not otherwise traded on the New York or American Stock Exchanges or NASDAQ/NMS, and, where there exists another market for such issue, the Exchange has executed 25% or more of the transactions in the issue during the three previous months.

 $^{^7}$ Conversation between Amy Bilbija, SEC, David Rusoff, Foley & Lardner, and Dan Liberti, CHX, on January 13, 1995.