150% Rule could reduce, to some degree, the Commission's concerns regarding the 125% Rule, the Commission was not convinced that permanent approval of the 150% rule would sufficiently address those concerns. The Commission believes that the pilot should continue to operate on a temporary basis through October 13, 1997, while the Nasdaq Board reconsiders its position on permanent approval. Consequently an extension will ensure that the Rule remains in effect on an uninterrupted basis until the Nasdaq Board has had an opportunity to fully evaluate the most appropriate permanent solution regarding the excess spread rule.

In addition, the Commission believes that the temporary rule can remain limited to National Market securities. Due to Nasdaq's current systems limitations, market makers in Nasdaq SmallCap securities are unable to monitor compliance with the Rule. However, the NASD has stated that it anticipates that market makers in Nasdaq SmallCap securities will be subject to the same excess spread requirements, if any, as market makers in Nasdaq National Market securities when a permanent resolution is reached.

Accordingly, the Commission finds that the NASD's proposal is consistent with Sections 11A and 15A of the Exchange Act and the rules and regulations thereunder applicable to the NASD and, in particular, Sections 11A(a)(1)(C), 15A(b)(6), 15A(b)(9), and 15A(b)(11). Further, the Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication in the **Federal Register**. In addition to the reasons discussed above, the Commission believes that accelerated approval of the NASD's proposal is appropriate given the fact that the proposal is a temporary extension of the 150% Rule that has been in effect since January 1997. An uninterrupted application of the 150% Rule for a short period of time should be less disruptive to market makers while the Nasdaq Board reconsiders its permanent approach to the concerns raised by the Commission regarding the excess spread rule.[7]

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act, that the proposed rule change (SR–NASD–97–70) is approved through October 13, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–25794 Filed 9–29–97; 8:45 am]

BILLING CODE 8010–01–M

[7] The Commission notes that a failure to extend the 150% Rule past the October 13, 1997 date would result in no excess spread standard for Nasdaq market makers.

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39106; File No. SR–PCX–97–32]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Pacific Exchange, Inc. Relating to an Extension of its LMM Book Pilot Program for One Year

September 22, 1997.

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 August 5, 1997, 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 self-regulatory organization. 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 extend its LMM Book Pilot Program for one year. The text of the proposed rule change is available at the Office of the Secretary, PCX 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 self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

[1] 15 U.S.C. § 78s(b)(1).

[2] 17 CFR 240.19b–4.

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

On October 11, 1996, the Commission approved an Exchange proposal to establish its LMM Book Pilot Program, under which a limited number of Lead Market Makers (''LMMs''.) are able to assume operational responsibility for the options limit order book (''Book'') in certain options issues.[3] Subsequently, on October 28, 1996, the Commission approved an Exchange proposal to adopt a new change applicable to LMMs who participate in the program.[4] In addition on April 1, 1997, the Commission approved an Exchange proposal to expand the scope of the pilot program to allow up to nine LMMs to participate and up to 150 symbols to be used.[5] The Exchange is now proposing to extend the pilot program for one year, to October 12, 1998.

Under the pilot program, the approved LMMs manage the Book function, take responsibility for trading disputes and errors, set rates for Book execution, and pay the Exchange a fee for systems and services. The program allows LMMs to have greater control over their operations on the Exchange floor by allowing them, among other things, to set their own rates for execution services provided to customers. The LMMs who participate during the pilot program are selected by the Options Floor Trading Committee based on certain designated factors. Approved LMMs must maintain ''minimum net capital,'' as provided in SEC Rule 15c–1,[6] and must also maintain a cash or liquid asset position of at least $500,000, plus $25,000 for each issue over 5 issues for which they perform the function of an Order Book Official. Only multiply-traded option issues are eligible during the pilot phase.

The Exchange is requesting a one-year extension to the pilot program so that it

[3] *See* Exchange Act Release No. 37810 (October 10, 1997), 61 FR 54481 (October 18, 1996) (''Pilot Program Approval Order'').

[4] *See* Exchange Act Release No. 37874 (October 28, 1996), 61 FR 213 (November 1, 1996).

[5] *See* Exchange Act Release No. 38462 (April 1, 1997), 62 FR 16886 (April 8, 1997). Each option issue typically has only one symbol associated with it, unless LEAPs are traded on that issue, in which case there would usually be two additional symbols related to the issue, or unless a contract adjustment is necessary due, for example, to a merger or stock split, in which case one additional symbol would usually be added. Previously, the pilot program was limited to allow up to 3 LMMs to participate and up to 40 option symbols to be used.

[6] 17 CFR 240.15c–1.

will have an opportunity to continue reviewing and evaluating the program before seeking permanent approval. In that regard, on May 29, 1997, the Exchange submitted a report to the Commission responding to particular questions set forth in the Pilot Approval Order. The Exchange believes that the program is operating successfully and without any problems, and on that basis, the Exchange believes that a one-year extension of the program is warranted. At this time, the Exchange is not seeking to modify the pilot program.

Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,[7] in general, and Section 6(b)(5),[8] in particular, in that it is designed to facilitate transactions in securities, to 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. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission has closely reviewed the proposed LMM Book Pilot program and has concluded that it should be extended for another year. The Commission believes that the pilot program, whereby the approved LLMs manager the Book function, take responsibility for trading disputes and errors, set rates for Book execution, and pay the Exchange a fee for systems and services, is consistent with the Act and the rules and regulations thereunder. In particular, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act[9] in that it is designed to promote just and equitable principles of trade, to facilitate transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

As noted above, the LLM Book Pilot Program allows LMMs to have greater control over their operations on the Exchange floor, and the Commission agrees with the Exchange that a one-year extension of the program is warranted to allow the Exchange to continue its evaluation of the program.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in order to ensure that PCX officials have a continuous period to review and evaluate the program before seeking permanent approval. The LLM Book Pilot Program was first established on October 11, 1996 and, with a few modest changes, has been operating continuously since that date. Based on the representations made by the Exchange in its 1997 LLM Book Pilot Program report, the Commission concludes that the pilot program has contributed to the Exchange's ability to provide fair and orderly markets. Based on these findings, the Commission concurs that a one-year extension of the program is warranted. Because the pilot program is scheduled to expire October 12, 1997, the Commission believes it is appropriate to extend the pilot program before that date to allow the uninterrupted continuation of the program.

IV. Solicitation of Comments

Interested person 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, N.W., Washington, D.C. 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, 450 Fifth Street, N.W., Washington, D.C. 20549. 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–97–32 and should be submitted by October 21, 1997.

It is therefore ordered, pursuant to Section 19(b)(2)[10] of the act, that the proposed rule change is approved and, accordingly, the Lead Market Maker Book Pilot Program is extended until October 12, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–25795 Filed 9–29–97; 8:45 am]

BILLING CODE 8010–01–M

7 15 U.S.C. § 78f(b).

8 15 U.S.C. § 78f(b)(5).

9 *Id.*

10 15 U.S.C. § 78s(b)(2).

11 17 CFR 200.30–3(a)(12).

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Technical Corrections to the Harmonized Tariff Schedule of the United States

AGENCY: Office of the United States Trade Representative.

ACTION: Technical corrections to the Harmonized Tariff Schedule of the United States (HTSUS); effective date.

SUMMARY: The United States Trade Representative (USTR) is making technical corrections to the HTSUS, pursuant to authority granted to the President in section 604 of the Trade Act of 1974 and delegated by the President to the USTR in Proclamation 6969 (62 FR 4415). These modifications will correct errors in prior proclamations, so that the intended tariff treatment is accorded.

ADDRESSES: Office of the United States Trade Representative, 600 17th Street, NW, Washington, D.C. 20508.

FOR FURTHER INFORMATION CONTACT: Barbara Chattin, Director For Tariff Affairs, (202) 395–5097, or Catherine Field, Senior Counsel For Multilateral Affairs, (202) 395–3432.

CORRECTION: The HTS is modified as set forth below with respect to goods entered, or withdrawn from warehouse for consumption, on or after the effective dates specified for the enumerated actions.

BILLING CODE 3190–01–M