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

On January 17, 1990, the Commission approved the Exchange's LMM System on a pilot program basis.² Since that time, the Commission has approved extensions to the pilot program.³ The pilot program is currently set to expire on September 30, 1995.

In its filing with the Commission, the Exchange included a pilot program report for the period July 1993 to August 1995.⁴ In its report, the Exchange indicates that it believes, based on the pilot's performance, that the LMM System is viable and effective and that continuation of the pilot program is warranted based on the importance of maintaining the quality, efficiency, and competitiveness of the Exchange's markets in a multiple trading environment.

The Exchange notes that, at this time, it is considering substantive changes to the rules governing the LMM program. Therefore, the Exchange proposes to extent the pilot program for one year to allow additional time to evaluate the LMM program in light of any changes that may be approved within the next year. Moreover, if the Commission approves an extension of the program to September 30, 1996, the Exchange expects that it will seek permanent approval of the program (rather than an additional extension) prior to the expiration of the pilot extension.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and Section 6(b)(5) in particular, in that it is designed 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 PSE does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The PSE has requested that the Commission find good cause that the proposed rule change be given accelerated effectiveness pursuant to Section 19(b)(2) of the Act.

The Commission finds that the proposal to extend the LMM pilot program through September 30, 1996 is consistent with the requirements of the Act and the rules and regulations thereunder, and, in particular, the requirements of Sections 6(b)(5).5 The Commission concludes, as it did in approving the LMM pilot program, that the pilot program may enhance the market making mechanism on the PSE, thereby improving the markets for listed options on the Exchange. Specifically, the Commission believes that the LMM pilot may improve the PSE's market making capabilities by creating longterm commitments to options classes. Moreover, the pilot program will continue with adequate due process safeguards in the LMM selection and termination procedures and will retain procedures that prevent the misuse of material non-public LMM information by either an LMM or a broker-dealer affiliated with an LMM. The Commission notes, however, that before the pilot program can be approved on a permanent basis, or further extended, the PSE must provide the Commission with an updated report on the operation of the pilot program.

Specifically, before requesting permanent approval, or further extension, of the pilot program, the PSE must submit an update pilot program report by June 1996 that addresses: (1) Whether there have been any complaints regarding the operation of the pilot; (2) whether the PSE has taken any disciplinary or performance action against any member due to the operation of the pilot; (3) the number of LMMs involved in the pilot; (4) the extent to which the pilot has been used

on the PSE; (5) whether the PSE has terminated or replaced an LMM and the reasons thereof; (6) the impact of the pilot on the bid/ask spreads, depth and continuity in PSE options markets; and (7) whether the PSE has taken any actions or there have been any complaints against LMMs or associated broker-dealers relating to improper activity as a result of LMM affiliations with upstairs firms.

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 the Federal Register because the PSE has not indicated that there have been any problems associated with the operation of the LMM system pilot program and because the Commission has not received any adverse comments concerning the pilot program. In addition, the Commission believes good cause exists to approve the extension of the LMM pilot program on an accelerated basis to allow the pilot program to continue uninterrupted. The Commission believes, therefore, that granting accelerated approval of the proposed rule change is appropriate and consistent with Section 6 of the Act.

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 submissions, 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 PSE. All submissions should refer to the file number in the caption above and should be submitted by October 26, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR–PSE–95–20) is approved on an accelerated basis, and, accordingly, that the LMM pilot

² See Securities Exchange Act Release No. 27631 (January 17, 1990), 55 FR 2462.

³ See Securities Exchange Act Release Nos. 31063 (August 21, 1992), 57 FR 39255; 31635 (December 22, 1992), 57 FR 62414; 33854 (April 1, 1994), 59 FR 16873; and 34710 (September 23, 1994), 59 FR 50306. See also File No. SR-PSE-93-16 (requesting permanent approval of the pilot program) and Amendment Nos. 1-3 thereto (requesting pilot program extensions while the request for permanent approval was pending). On April 20, 1994, the Exchange withdrew File No. SR-PSE-93-16 pursuant to the Commission's request. See letter from David P. Semak, Vice President, Regulation, PSE, to Sharon M. Lawson, Assistant Director, Division of Market Regulation, Commission, dated April 20, 1994.

⁴The Exchange has previously submitted pilot program reports to the Commission dated September 18, 1992 and July 26, 1993. See Securities Exchange Act Release No. 31635, and File No. SR–PSE–93–16 (withdrawn), supra note 3.

^{5 15} U.S.C. § 78f(b)(5) (1988).

^{6 15} U.S.C. § 78s(b)(2) (1988).