

Joint Account. In no case would an early termination by less than all participating Funds be permitted if it would reduce the principal amount or yield received by other Funds participating in a particular Joint Account or otherwise adversely affect the other participating Funds. Each Fund participating in such Joint Account will be deemed to have consented to such sale and partition of the investments in such Joint Account.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-14354 Filed 6-2-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[File No. 5500-1]

Amquest International, Ltd.; Order of Suspension of Trading

May 30, 1997.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Amquest International, Ltd. ("Amquest" or the "Company"), a Florida based company which holds itself out to be part of an integrated system of companies for the provision of mortgage banking, investment and consumer credit services, because of questions regarding the accuracy of assertions by Amquest, and by others, in documents filed with the Commission and distributed to investors and market-makers of the stock of Amquest, concerning, among other things, Amquest's ownership of certain Brazilian "Rights" and other assets, the value of certain assets claimed by Amquest, the amount of income, if any, Amquest has generated, the acquisition by Amquest of certain entities, and the composition and involvement in Company affairs of Amquest's purported management.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above-listed company.

Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above-listed company is suspended for the period from 9:30 a.m. EDT, May 30, 1997 through 11:59 p.m. EDT, on June 12, 1997.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-14541 Filed 5-30-97; 11:21 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38678; File No. SR-NASD-97-27]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change To Decrease the Minimum Quotation Increment for Certain Securities Listed and Traded on The Nasdaq Stock Market to 1/16th of \$1.00

May 27, 1997.

I. Introduction

On April 17, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to modify The Nasdaq Stock Market's ("Nasdaq") automated quotation system to permit Nasdaq securities whose bid is \$10 or higher to be quoted in increments as small as one-sixteenth of a dollar.

The proposed rule change was published for comment in the **Federal Register** on April 25, 1997.³ After the comment period expired, the Commission received a number of comment letters.⁴ This order approves the proposal.

II. Description

Presently, Nasdaq's automated quotation system is configured so that a market maker or electronic communications network ("ECN") can only enter a quote for a particular security in an increment of 1/8 of \$1 if the market maker's bid price in that security is equal to or greater than \$10. If a market maker's bid is less than \$10, it may enter quotes in increments of 1/32 of \$1. Nasdaq proposes to modify a system parameter in its automated quotation system to enable market

makers and ECNs to enter quotations in sixteenths for Nasdaq securities when their bid price is equal to or greater than \$10.

Nasdaq believes allowing Nasdaq market makers and investors to display their trading interest in these securities in sixteenths will enhance the transparency of the Nasdaq market, provide investors with a greater opportunity to receive better execution prices, facilitate greater quote competition, promote the price discovery process, contribute to narrower spreads, and enhance the capital formation process. Moreover, Nasdaq believes the proposed rule change is wholly consistent with, and in furtherance of, the important investor protection goals underlying the Order Execution Rules.⁵ Customer limit orders and orders entered into ECNs priced in sixteenths are currently rounded to the nearest eighth for public display.⁶ The proposal would allow all such orders to be publicly displayed at their actual price. By displaying these orders at their actual prices, Nasdaq believes the already substantial benefits provided by implementation of the Order Execution rules will be commensurately increased. Nasdaq also believes it is appropriate to reduce the minimum quotation increment for these securities in light of the SEC's decision to modify the phase-in schedule of the Order Execution Rules.⁷

III. Summary of Comments

As of May 22, 1997, the Commission received 111 comment letters concerning the proposed rule change.⁸

⁵ On August 28, 1996, the Commission adopted Rule 11Ac1-4, the "Limit Order Display Rule," and amendments to Rule 11Ac1-1, the "ECN Rule," to require over-the-counter ("OTC") market makers and exchange specialists to display certain customer limit orders, and to publicly disseminate the best prices that the OTC market maker or exchange specialist has placed in certain ECNs, or to comply indirectly with the ECN Amendment by using an ECN that furnishes the best market maker and specialist prices therein to the public quotation system (collectively, the "Order Execution Rules" or the "Rules"). See Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290 (Sept. 12, 1996).

⁶ In particular, orders to buy (sell) are rounded down (up) to the nearest eighth.

⁷ See Securities Exchange Act Release No. 38490 (Apr. 9, 1997), 62 FR 18514 (Apr. 16, 1997) (announcing the revised phase-in schedule, providing exemptive relief to accommodate the new schedule, and providing exemptive relief from compliance with the 1% requirement of the Quote Rule with respect to non-19c-3 securities.)

⁸ See letters to Jonathan G. Katz, Secretary, SEC, from Daniel J. Balber, dated May 12, 1997, Stephen S. Baldente, undated, Adam Bandel, undated, Laurence Bag, undated, Sayan Bhattacharyya, dated May 14, 1997, Jessica Brooks, dated May 16, 1997, Michael Broudo, dated May 14, 1997, John Bucci, dated May 15, 1997, David M. Burns, dated May 16,

Continued

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No 38531 (Apr. 21, 1997), 62 FR 20233 (Apr. 25, 1997).

⁴ As of May 22, 1997, the Commission received 111 comment letters. These letters, as well as any others received after this order, may be found in the Commission's Public Reference Room in File No. SR-NASD-97-27.

All of the commenters supported the proposal. In expressing their support, the commenters stated that reducing the

1997, Matthew H. Carlson, dated May 12, 1997, Cornel Catrina, dated May 14, 1997, Donald Cherry, dated May 12, 1997, Mark Chin, dated May 13, 1997, Robert Chung, dated May 15, 1997, Charles Cianfrani Jr., dated May 12, 1997, Richard D. Connell, undated, Henry Davar, dated May 15, 1997, Michael Di Domenico, dated May 15, 1997, Omar Divina, dated May 13, 1997, Patrick G. Dolan, dated May 13, 1997, Michael Eisner, dated May 12, 1997, David Filiberto, undated, Douglas Y. Finn, dated May 16, 1997, Campbell Foster, undated, James W. Frame, undated, Aaron Francis, dated May 12, 1997, Louis C. Galli, dated May 14, 1997, John Geisler, dated May 13, 1997, Nicolas Gentin, dated May 10, 1997, James R. Gibbs, dated May 12, 1997, Michael S. Gleeson, dated May 16, 1997, Jason B. Gold, dated May 11, 1997, J. Michael Gostigan, dated May 14, 1997, Kurt J. Hellmers, dated May 16, 1997, Anthony J. Hernandez, dated May 14, 1997, Bryan Hollander, undated, Hirokazu Iwasa, dated May 14, 1997, Greg Honan, dated May 14, 1997, Patrick Hsieh, dated May 13, 1997, Scott S. Ignall, undated, Marina Kaneti, dated May 10, 1997, Matthew Kansler, dated May 13, 1997, Andrew Kashdan, undated, Gene Keyser, dated May 12, 1997, Devon B. Kitchens, dated May 13, 1997, Jason Klarreich, dated May 15, 1997, Michael D. Klug, dated May 16, 1997, Stephen M. Kovacs, dated May 14, 1997, Seth C. Koppel, dated May 13, 1997, David D. Kuang, dated May 13, 1997, Gabriel Levin, dated May 9, 1997, Eben Light, undated, Robert Lindauer, undated, Louis Liu, undated, Jamie Maltese, undated, Andrew A. Mancuso III, dated May 15, 1997, Daniel Mandell, dated May 16, 1997, Richard Marble, undated, James Maroney, dated May 14, 1997, John F. McEnroe III, dated May 15, 1997, Gordon McDonald, dated May 14, 1997, Kevin McGrory, dated May 13, 1997, John P. McMullan, dated May 12, 1997, Robert Meurer, dated May 13, 1997, Winston Meyer, dated March 11, 1997, Jeffrey L. Miller, undated, Marcus Motroni, undated, Kenneth Naden, dated April 24, 1997, Paul Naden, dated April 24, 1997, Seth Nemeroff, dated May 13, 1997, Michael O'Buachalla, dated April [sic] 17, 1997, Michael O'Reilly, dated May 15, 1997, Randall Oser, dated May 12, 1997, Christopher M. Owens, dated May 13, 1997, M. Yousuf Paracha, dated May 13, 1997, Tausif Paracha, undated, John Parente, undated, Mike Parsons, dated May 12, 1997, Ilian P. Petrov, dated May 13, 1997, Antonio J. Cecin, Managing Director and Director of Equity Trading, Piper Jaffray, Inc., dated May 16, 1997, Dario J. Pompeo, undated, Reid Richman, undated, Joel Rebhun, undated, Marcie D. Rebhun, undated, Tami Beth Rock, dated May 12, 1997, Noah Roffman, dated May 18, 1997, Jason Rosen, dated May 12, 1997, David G. Rosenberg, dated May 14, 1997, Paul R. Rudd, dated May 15, 1997, Shahriar Saadullah, dated May 13, 1997, Kevin J. Sanbeg, dated May 12, 1997, Patrick S. Schultz, dated May 10, 1997, Cary S. Segall, dated May 16, 1997, Gil Shapiro, dated May 12, 1997, Hiro Shinohara, dated May 12, 1997, Daniel Sherwood, dated May 11, 1997, Joseph Soclof, dated May 13, 1997, Drew Sohn, dated May 15, 1997, Alphonse Soued, dated May 15, 1997, Feral Talib, undated, Mark Tashae, dated May 13, 1997, Howard Teitelman, dated May 10, 1997, Alexis Theofilactidis, dated May 12, 1997, Michael E. Tobin, undated, Nancy Tom, dated May 15, 1997, Tai Truong, dated May 13, 1997, Abbott Wang, dated May 16, 1997, Oliver Wang, dated May 13, 1997, Alan Weber, dated May 14, 1997, Timothy Whelan, dated May 12, 1997, Timothy J. Wilson, dated May 15, 1997.

minimum quotation increment would improve market transparency by allowing a more complete display of the buying and selling interest in the affected securities. In general, they maintained that this would facilitate quote competition which would reduce spreads and, in turn, provide investors with better prices. Furthermore, they explained that this would increase investors' confidence in the market and, thus, would encourage greater participation and increase liquidity. Several commenters also addressed the issue of pricing stocks in decimals.⁹

IV. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Sections 11A and 15A of the Act.¹⁰

The Commission believes the quality of the market for the affected Nasdaq securities¹¹ will likely be enhanced by

⁹See letters to Jonathan G. Katz, Secretary, SEC, from Sayan Bhattacharyya, dated May 14, 1997 (stating that decimalization is a very good idea), Robert Chung, dated May 15, 1997 (encouraging the SEC to study the feasibility of a decimal pricing system), Michael S. Gleeson, dated May 16, 1997 (recommending the use of decimals as a means to add further transparency and liquidity to the market), Hirokazu Iwasa, dated May 14, 1997 (encouraging Nasdaq to adopt decimals), Andrew Kashdan, undated (awaiting consideration of decimal quotes to further increase efficiency), Eben Light, undated (anticipating the NASD's study), Richard Marble, undated (supporting the idea of decimalization), Winston Meyer, dated March 11, 1997 (stating that decimals should vastly improve the pricing mechanism), Paul Naden, dated April 24, 1997 (supporting decimalization of stock prices), Michael O'Buachalla, dated April [sic] 17, 1997 (same), M. Yousuf Paracha, dated May 13, 1997 (categorizing the proposal as an intermediate step towards trading in decimals), Shahriar Saadullah, dated May 13, 1997 (encouraging the NASD to pursue the idea of decimal pricing), Cary S. Segall, dated May 16, 1997 (categorizing the proposal as an intermediate step towards trading in decimals), Gil Shapiro, dated May 12, 1997 (same), Alexis Theofilactidis, dated May 12, 1997 (encouraging a further move to a decimal pricing system), Michael E. Tobin, undated (categorizing the proposal as the first step towards the ultimate goal of decimalization), Timothy Whelan, dated May 12, 1997 (encouraging the adoption of decimals).

¹⁰ 15 U.S.C. §§ 78k-1, 78o-3

¹¹ Nasdaq noted in its proposal that, as of March 31, 1997, there were 2,714 Nasdaq securities (43.2% of all Nasdaq securities) priced equal to or greater than \$10. These securities represent 90% of the capitalization of the Nasdaq market and 68.6% of the share volume in Nasdaq. Nasdaq also noted that 98.7% of all trades in Nasdaq securities priced equal to or greater than \$10 occur in increments equal to or greater than a sixteenth and 98.5% of all share volume in such securities occurs in increments equal to or larger than sixteenth.

allowing a minimum quotation increment of a sixteenth, rather than an eighth.¹² Decreasing the minimum quotation increment should help to produce more accurate pricing of such securities and can result in tighter quotations. In addition, if the quoted markets are improved by reducing the minimum quotation increment, the change could result in added benefits to the market such as reduced transaction costs.¹³

Furthermore, this change in the minimum increment will compliment the Order Execution Rules.¹⁴ Currently, customer limit orders and orders entered into ECNs priced in sixteenths are rounded to the nearest eight for public display.¹⁵ The proposed change will allow such orders to be publicly displayed at their actual price, thus allowing a more complete display of the buying and selling interest in Nasdaq securities, giving these orders greater visibility, and facilitating quote competition. Moreover, the enhanced transparency will improve access to the best available prices.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-NASD-97-27) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,

Deputy Secretary.

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¹² A study that analyzed the reduction in the minimum tick size from $\frac{1}{8}$ to $\frac{1}{16}$ for securities listed on the American Stock Exchange priced between \$1.00 and \$5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth was relatively unaffected. See Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume*, 5 J. Fin. Intermediation 2 (1996).

¹³ The rule change is consistent with the recommendation of the Division of Market Regulation ("Division") in its Market 2000 Study, in which the Division noted that the $\frac{1}{8}$ minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. See SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18-19 (Jan. 1994).

¹⁴ See *supra* note 5.

¹⁵ In particular, orders to buy (sell) are rounded down (up) to the nearest eight.

¹⁶ 15 U.S.C. 78s(b)(2).

¹⁷ 17 CFR 200.30-3(a)(12).