

acquisition of majority-owned subsidiaries.

2. MLX will allocate and utilize its accumulated cash and short-term securities for the purpose of funding cash requirements for its existing businesses or for acquiring one or more new businesses.

3. While any order is in effect, MLX's 10-K, 10-Q, and annual reports to shareholders will state that an exemptive order has been granted pursuant to sections 6(c) and 6(e) of the Act and that MLX and other persons, in their transactions and relations with applicant, are subject to sections 9, 17(a), 17(d) (except as discussed in the application), 17(e), 17(f) (except as discussed in the application), and 36 through 53 of the Act as if MLX were a registered investment company.

4. MLX will obtain an amended order from the SEC prior to any material modification of MLX's custodial arrangement in a manner not described in the application.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-10762 Filed 4-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Texas Meridian Resources Corporation, Common Stock, \$0.01 Par Value) File No. 1-10671

April 21, 1997.

Texas Meridian Resources Corporation ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the American Stock Exchange, Inc. ("Amex" or "Exchange").

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Company has complied with Rule 18 of the Amex by filing with such Exchange a certified copy of preambles and resolutions adopted by the Company's Board of Directors authorizing the withdrawal of its common stock from listing on the Amex

and by setting forth in detail to such Exchange the reasons for such proposed withdrawal, and the facts in support thereof. The Company became listed for trading on the New York Stock Exchange, Inc. ("NYSE") pursuant to a Registration Statement on Form 8-A effective March 19, 1997.

In making the decision to withdraw its Security from listing on the Amex, the Company considered the greater visibility and liquidity for the Company's Security on the NYSE, resulting in enhanced shareholder value.

Any interested person may, on or before May 12, 1997, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC. 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 97-10684 Filed 4-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Vertex Industries, Inc., Common Stock, \$.005 Par Value) File No. 1-12612

April 21, 1997.

Vertex Industries, Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Boston Stock Exchange, Inc. ("BSE") or "Exchange").

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Company's Security is listed on the NASDAQ SmallCap market under the symbol VETX. The Company cannot justify the expense of being listed on

two markets and thereby wishes to be withdrawn from the BSE.

Any interested person may, on or before May 12, 1997, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 97-10685 Filed 4-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38531; File No. SR-NASD-97-27]

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

April 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 18, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") 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 Nasdaq Stock Market, Inc. ("Nasdaq") proposes to modify a system parameter for its automated quotation system that reduces the minimum quotation increment for Nasdaq-listed securities priced equal to or greater than \$10.00 from 1/8 of \$1.00 to 1/16 of \$1.00.

¹ 15 U.S.C. § 78s(b)(1).

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.

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

1. Purpose

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 $\frac{1}{8}$ of \$1 if the market maker's bid price in that security is equal to or greater than \$10. If the market maker's bid is less than \$10, it may enter quotes in increments of $\frac{1}{32}$ of \$1. With this rule filing, Nasdaq seeks approval of a modification to this system parameter that provides that if a market maker's or ECN's bid price for a particular Nasdaq security is equal to or greater than \$10, such market maker or ECN could enter quotations in that security in increments of $\frac{1}{16}$ of \$1 or larger. 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 notes that 98.7% of all trades in Nasdaq securities priced equal to or greater than \$10 occur in increments equal to or greater than $\frac{1}{16}$ th and 98.5% of all share volume in such securities occurs in increments equal to or larger than $\frac{1}{16}$ th. As a result, with this proposal, only a very small percentage of Nasdaq trades will be effected at a price increment finer than the minimum quotation increment. Accordingly, Nasdaq believes the benefits to investors resulting from the proposal will be very profound and significant.

Specifically, by enabling Nasdaq market makers and investors to display their trading interests in Nasdaq securities in increments as small as $\frac{1}{16}$ of \$1.00, Nasdaq believes the proposal 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 for Nasdaq securities, contribute to narrower spreads, and enhance the capital formation process.² Moreover, Nasdaq believes that the proposed rule change is wholly consistent with, and in furtherance of, the important investor protection goals underlying the Order Execution Rules.³

Specifically, whereas today customer limit orders and orders entered into ECNs priced in sixteenths are rounded to the nearest eighth for public display,⁴ under Nasdaq's proposal, all such orders would be publicly displayed at their actual price. By displaying such orders at their actual prices, Nasdaq believes the already substantial benefits provided by implementation of the Order Execution Rules will be commensurately increased. In particular, the NASD's analysis of the markets for the first 150 Nasdaq stocks subject to the SEC's Order Execution Rules shows that:⁵

- Quoted spreads have narrowed 32.3%;⁶ effective spreads have

² While Nasdaq is proposing to narrow the minimum quotation increment to $\frac{1}{16}$ of \$1.00 for Nasdaq securities with an inside bid price equal to or greater than \$10, Nasdaq is taking no position at this time as to whether quotations in Nasdaq securities should be expressed in decimals. As always, Nasdaq is supportive of any regulatory initiative that would promote the protection of investors. With respect to decimalization, however, Nasdaq does not believe that enough data and analysis exist concerning decimalization to enable the NASD and Nasdaq to conclude that decimalization will or will not be, on balance, beneficial to investors, to issuers, and to the integrity of the Nasdaq market. Accordingly, NASD staff has commenced an analysis of the costs and benefits that would be involved in a shift to decimalization. In addition, in order to be prepared should decimal quoting prove beneficial to investors, Nasdaq is presently moving toward the technological capability to quote in decimals.

³ 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).

⁴ In particular, orders to buy (sell) are rounded down (up) to the nearest eighth.

⁵ Statistics concerning the first 150 Nasdaq stocks subject to the Order Execution Rules reflect a comparison of the markets for these securities for the 20 trading days before January 20, 1997 and the 24 trading days after February 24, 1997.

⁶ A *quoted spread* is the difference between the inside bid and ask. The individual dollar spreads used to calculate the average for a given stock are

narrowed 24.6%; and actual dollar spreads have narrowed 31.8%.⁷

- Average dealer spreads have narrowed 3.8%.
- The amount of time the inside spread was equal to an eighth increased 104.9%, meaning that quoted spreads in these stocks were equal to their narrowest quote increment 47.8% of the time. In addition, inside spreads were equal to or less than a quarter 77.1% of the time.

- The average number of market makers per stock has increased 5.6%, or 1.1 market makers per stock.
- The maximum quoted depth of any single market maker at the inside bid or offer has increased 37.2%.

- There has been a noticeable increase in the number of quotation updates greater than 1,000 shares. Before implementation of the Actual Size Rule, market makers virtually never displayed sizes greater than 1,000 shares. Since the Rule has been in effect, 6.3% of all market maker quote updates have been for greater than 1,000 shares.

Nasdaq believes that increasing the transparency of orders priced in sixteenths will augment the already substantial benefits to investors brought about by the Order Execution Rules. Nasdaq also believes it is particularly appropriate to narrow the quotation increment for Nasdaq securities priced equal to or above \$10 in light of the SEC's announcement to accelerate the phase-in of the Order Execution Rules.⁸

2. Statutory Basis

For the reasons noted above, Nasdaq believes the proposed rule change is consistent with Sections 11A(a)(1)(C), 15A(b)(6), 15A(b)(9), 15A(b)(11) and of the Act.⁹ Section 11A(a)(1)(C) provides that it is in the public interest to, among other things, ensure the economically efficient execution of securities transactions and ensure that information with respect to quotations for, and transactions in, securities is available to brokers, dealers, and investors.¹⁰ Section 15A(b)(6) requires that the rules

weighted by the amount of time each spread was in effect for the day, i.e., the spread's duration.

⁷ An *effective spread* is measured by taking the absolute difference between a transaction price and the bid-ask midpoint, multiplied by two. Each effective spread is weighted by the share volume of the associated transaction. An *actual spread* is measured by taking the transaction price minus the bid-ask midpoint for market maker sells, and the bid-ask midpoint minus the transaction price for market maker buys. The figure is multiplied by two to compare the quoted spread, and the average is volume-weighted.

⁸ See Securities Exchange Act Release No. 38490 (Apr. 9, 1997), 62 FR 18514 (Apr. 16, 1997).

⁹ 15 U.S.C. §§ 78k-1(a)(1)(C), 78o-3(b)(6), 78o-3(b)(9), 78o-3(b)(11).

¹⁰ 15 U.S.C. § 78k-1(a)(1)(C).

of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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.¹¹ Section 15A(b)(9) requires that the rules of the Association not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.¹² Section 15A(b)(11) requires the NASD to, among other things, formulate rules designed to produce fair and informative quotations.¹³ Nasdaq also notes that the proposed rule change is consistent with statements made by the Commission in its approval order for the Order Execution Rules and by the Commission's Division of Market Regulation in its Market 2000 Study.¹⁴

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

Nasdaq believes the proposed rule change will not result in 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

The Association has neither solicited nor received written comments.

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 Room, 450 Fifth Street, NW., Washington, DC 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-97-27 and should be submitted by May 16, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret M. McFarland,
Deputy Secretary.

[FR Doc. 97-10761 Filed 4-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38528; File No. SR-PCX-97-10]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Margin Requirements for Options

April 18, 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 April 14, 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 amend its Rule 2.16 ("Margin Requirements"). The proposed amendments include codification of permitted market maker and specialist offset positions that are being eliminated from Regulation T of the Federal Reserve Board ("FRB") and an incorporation of specific provisions of Rule 15c3-1 under the Act ("the Net Capital Rule"). The proposed rule change also incorporates in Rule 2.16 cash account transactions permitted by the FRB and the Commission, as well as incorporating several definitions. Proposed new language is italicized; proposed deletions are in brackets.

Text of the Proposed Rule Change

Margins

¶3423

Rule 2.15(a)-(e)—No change.

¶3437 Margin Requirements

Rule 2.16(a)-(d)(2)(I)—No change.

(J) Option Specialists, Market Makers and Traders. *Notwithstanding the other provisions of this sub-section (d)(2), a member organization may clear and carry the listed option transactions of one or more registered specialists, registered market makers or registered traders in options (which registered traders are deemed specialists for all purposes under the Securities Exchange Act of 1934 pursuant to the rules of a national securities exchange) (hereafter referred to as "specialist(s)"), upon a "Good Faith" margin basis satisfactory to the concerned parties, provided the "Good Faith" margin requirement is not less than the Net Capital haircut deduction of the member organization carrying the transaction pursuant to SEC Rule 15c3-1. In lieu of collecting the "Good Faith" margin requirement, a carrying member organization may elect to deduct in computing its Net Capital the amount of any deficiency between the equity maintained in the account and the "Good Faith" margin required.*

For purposes of the subsection (d)(2)(J), a permitted offset position means, in the case of an option in which a specialist makes a market, a position in the underlying asset or other related assets, and in the case of other securities in which a specialist makes a market, a position in options overlying the securities in which a specialist makes a market. Accordingly, a specialist in options may establish, on a share-for-share basis, a long, or short position in the securities underlying the

¹¹ 15 U.S.C. § 78o-3(b)(6).

¹² 15 U.S.C. § 78o-3(b)(9).

¹³ 15 U.S.C. § 78o-3(b)(11).

¹⁴ See Order Execution Rules Approval Order, *supra* note 3, at 61 FR 48315 n.282; SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18 (Jan. 1994).

¹⁵ 17 C.F.R. 200.30-3(a)(12).

¹ U.S.C. 78s(b)(1) (1982).

² 17 CFR 240.19b-4 (1991).