General Green Way, Alexandria, VA 22312–2413.

RECORDS ACCESS PROCEDURES:

Persons wishing to access or contest these records should contact the Privacy Act Officer, SEC Operations Center, 6432 General Green Way, Alexandria, VA 22312–2413.

CONTESTING RECORD PROCEDURES:

See Records Access Procedures, above.

RECORD SOURCE CATEGORIES:

Applications for registration or exemption and related forms filed with the SEC under the Investment Company Act of 1940.

EXEMPTIONS CLAIMED FOR THE SYSTEM:

None.

SEC–50

SYSTEM NAME:

Investment Adviser Records.

SYSTEM LOCATION:

Records filed before January 1, 2001 and paper records filed after January 1, 2001: SEC, 450 Fifth Street, NW, Washington, DC 20549; and Form ADV applications for registration, Form ADV Amendments, and Form ADV–W withdrawal notices filed electronically on IARD after January 1, 2001: NASDR, 9509 Key West Avenue, Rockville, MD 20850.

CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM:

Registrants and officers, directors, principal shareholders, or other individuals related to them.

CATEGORIES OF RECORDS IN THE SYSTEM:

Name, address, telephone number, social security number, education, past and present employment, disciplinary history, business relationships, and similar information.

AUTHORITY FOR MAINTENANCE OF THE SYSTEM:

15 U.S.C. 80b–3 and 80b–6a.

PURPOSE(S):

To help the SEC staff process applications for registration or exemption and related forms under the Investment Advisers Act of 1940 and implement the Federal securities laws and rules.

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES:

In addition to the conditions of disclosure under 5 U.S.C. 552a(b), the SEC staff may provide these records to:

(1) Any member of the general public upon request;

(2) Any Federal, state, local, or foreign government authority or securities or commodities self-regulatory organization that is investigating a violation or potential violation of a statute, rule, regulation, or order;

(3) Any Federal, state, local, or foreign bar association or similar licensing authority responsible for possible disciplinary action;

(4) Any Federal, state, or local government or governmental authority that is deciding to hire or retain an individual, sign a contract, or issue a license, grant, or benefit;

(5) Any individual or entity appointed by a court of competent jurisdiction or agreed upon by the parties to a pending court action or administrative proceeding alleging a violation of the Federal securities laws or rules; and

(6) Any contractor that performs, on the SEC's behalf, services requiring the use of these records.

POLICIES AND PRACTICES FOR STORING, RETRIEVING, ACCESSING, RETAINING, AND DISPOSING OF RECORDS IN THE SYSTEM:

STORAGE:

Records filed before January 1, 2001 and paper records filed after January 1, 2001 in the SEC's custody are maintained on paper, microfilm, or magnetic tape and in a computer system.

Form ADV applications for registration, Form ADV amendments and Form ADV–W notices of withdrawal filed electronically on the IARD after January 1, 2001 in the NASDR's custody are maintained in electronic format (IARD).

RETRIEVABILITY:

These records are retrievable by the name of, or a file number assigned to, the registrant. Individual name access to these records is available through the SEC's Name-Relationship Search Index.

SAFEGUARDS:

Non-computer records in the SEC's custody are maintained in a central records facility that only authorized individuals may access. The facility is locked, with security cameras and a 24-hour security guard. Computer records, which are subject to data integrity controls, require passcodes for database access.

RETENTION AND DISPOSAL:

The records in the SEC's custody are transferred to the Federal Records Center periodically for storage. They are controlled by file number and retained under 17 CFR 200.80f.

SYSTEM MANAGER(S) AND ADDRESS:

Records filed before January 1, 2001 and paper records filed after January 1, 2001—Records Officer, SEC Operations Center, 6432 General Green Way, Alexandria, VA 22312–2413.

Form ADV applications for registration, Form ADV amendments and Form ADV–W notices of withdrawal filed electronically on IARD after January 1, 2001—NASDR, 9509 Key West Avenue, Rockville, MD 20850.

NOTIFICATION PROCEDURE:

Requests to determine whether this system of records contains a record pertaining to the requesting individual should be sent to the Privacy Act Officer, SEC Operations Center, 6432 General Green Way, Alexandria, VA 22312–2413.

RECORDS ACCESS PROCEDURES:

Persons wishing to access or contest these records should contact the Privacy Act Officer, SEC Operations Center, 6432 General Green Way, Alexandria, VA 22312–2413.

CONTESTING RECORD PROCEDURES:

See Records Access Procedures, above.

RECORD SOURCE CATEGORIES:

Registrations and related forms filed with the SEC under the Investment Advisers Act of 1940.

EXEMPTIONS CLAIMED FOR THE SYSTEM:

None.

Dated: January 19, 2001.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–2240 Filed 1–24–01; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43833; File No. SR–ISE–00–10]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the International Stock Exchange, LLC Relating to Payment for Order Flow

January 10, 2000.

I. Introduction

On September 12, 2000, the International Securities Exchange, LLC (''ISE'' or ''Exchange''), filed with the Securities and Exchange Commission (''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 adopt a payment-for-order-flow fee program designed to attract options order flow to the Exchange.[3] Notice of the proposed rule change was published for comment in the **Federal Register** on October 27, 2000.[4] The Commission received ten comment letters regarding the proposal.[5] This order approves the proposed rule change.

II. Description of the Proposal

The proposed rule change will establish the structure for an ISE payment-for-order-flow program, as a competitive response by the Exchange to similar programs at the other options exchanges.[6] The proposal includes two major elements:

A. Establishing a Payment-for-Order-Flow Fee

Under the proposed rule change, the ISE will be authorized to impose fees on Primary Market Makers (''PMMs'') and Competitive Market Makers (''CMMs''). The proposal allows for up to three separate fees on a per-contract basis:

- Fees on transactions with Public Customers;[7]
- Fees on transactions with Non-Customers,[8] other than market makers on another options exchange (''away market makers''); and
- Fees on transactions with away market makers.

No fees are authorized under the proposal for transactions in which all parties to the transaction are PMMs and/or CMMs.

The proposal provides that the specific amounts of the fees authorized under its provisions are to be established in a separate rule filing submitted to the Commission pursuant to Section 19(b)(3)(A) of the Act.[9] The three fees may be the same, or may differ from each other; one or more fees may be set at $0.00 per contract. The fees on transactions with Non-Customers and away market makers may not be higher than the fee on Public Customer transactions, however. In addition, the fee on transactions with away market makers may not be higher than the fee on transactions with other Non-Customers.

The Exchange also will have the flexibility under the proposed rule change to establish multi-tiered fees. This means that the fees may vary according to the option traded.[10] The tiers may be based on such factors as the overall trading activity of an option, the Exchange's market share in an option, or any other objective factor. If the Exchange establishes multi-tiered fees, the Exchange's fee filing will specify each of those fees.

B. Use of the Funds

Under the proposed rule change, the Exchange will separately account for the funds the payment-for-order-flow fee generates on a per-group basis. That is, the Exchange will segregate these funds according to each of the groups—or ''bins''—of options the Exchange trades. The PMMs will use the funds generated by the fee to pay Electronic Access Members (''EAMs'') for their order flow. The PMMs will have full discretion regarding payments, including those EAMs to be paid, the amount of the payments, and the type of order flow subject to the payment.

The proposed rule change also provides that the Exchange will establish ''bin advisory committees'' (''BACs'') consisting of the particular PMM and CMMs in a bin. The Exchange will provide to all bin members information regarding payments made, and the BACs will provide a forum for the discussion of payment-for-order-flow issues.[11] These committees will be advisory in nature only, however, and the PMM will retain full discretion over all payment decisions.

III. Comment Letters

The proposal was opposed by four commenters, including a specialist and market maker firm that is a member of all the national options exchanges,[12] a member firm of both the ISE and the Phlx;[13] a former floor broker who is currently a market maker on the Phlx;[14] and an association of options market makers recently formed, in part, to challenge the propriety of payment for order flow as implemented by the Phlx.[15]

Generally, these commenters maintained that payment for order flow harms investors because brokers who receive payment to direct their order flow to a specific specialist or exchange have no incentive to seek the best price for their customers, and because market centers that pay for order flow may not compete as aggressively for orders on the basis of price.[16] The opponents argued further that the increased costs of paying for order flow would be unaffordable to smaller market participants and could lead to an exodus of market makers from the

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] In the interim, the ISE submitted another proposed rule change concerning a fee to fund payment for order flow, File No. SR–ISE–00–24, which became effective upon its filing on December 1, 2000. *See* Securities Exchange Act Release No. 43688 (Dec. 7, 2000), 65 FR 78233 (Dec. 14, 2000). The interim proposal established a fee of $.75 per contract on all Primary Market Maker and Competitive Market Maker executions against customer orders, which is to terminate at the earlier of January 15, 2001, or Commission approval of the ISE's permanent program discussed in this release and the ISE's establishment of a fee to fund the permanent program.

[4] *See* Securities Exchange Act Release No. 43462 (October 19, 2000), 65 FR 64466.

[5] *See* Letters to Jonathan G. Katz, Secretary, the Commission, from: Edward Frank, Managing Director, Gateway Partners, LLC, dated September 22, 2000 (''Gateway Letter''); Bernard L. Hirsh, President and market maker, Bernard L. Hirsch, Inc., dated September 28, 2000 (''Hirsh Letter''); Meyer S. Frucher, Chairman and Chief Executive Officer, Philadelphia Stock Exchange (''Phlx''), dated November 1, 2000; Joel Greenberg, Chief Legal Officer, Susquehanna Investment Group (''Susquehanna''), dated November 13, 2000; Merrill G. Davidoff, Berger & Montague, P.C., on behalf of Independent Traders Association, Inc., dated November 9, 2000 (''ITA Letter''); Matthew D. Wayne, Chief Legal Officer, Knight Financial Products, LLC (''KFP Letter''), dated November 16, 2000; and Edward J. Joyce, President and Chief Operating Officer, Chicago Board Options Exchange (''CBOE''), dated November 21, 2000 (''CBOE Letter''); and to Arthur Levitt, Chairman, the Commission, from: Daniel C. Bigelow, President, Binary Traders, LP, *et al.,* dated September 29, 2000 (''Binary Traders Letter''); and Marjorie McGee, market maker, Benton Parnters, dated September 29, 2000 (''McGee Letter'').

[6] The Commission notes that since July 2000, all five options exchanges have submitted fee proposals to the Commission, which became effective on filing, that impose fees on market makers to fund payment for order flow. *See* Securities Exchange Act Release Nos. 43112 (August 3, 2000), 65 FR 49040 (August 10, 2000) (SR–CBOE–00–28); 43177 (August 18, 2000), 65 FR 51889 (August 25, 2000) (SR–Phlx–00–77); 43228 (August 30, 2000), 65 FR 54330 (September 7, 2000) (SR–Amex–00–38); 43290 (September 13, 2000), 65 FR 57213 (September 21, 2000) (SR–PCX–00–30); and *supra* note 3 (concerning the ISE's interim filing).

[7] ''Public Customer'' is defined by ISE Rule 100(29) as ''a person that is not a broker or dealer in securities.''

[8] ''Non-Customer'' is defined by ISE Rule 100(19) as ''a person or entity that is a broker or dealer in securities.''

[9] 15 U.S.C. 78s(b)(3)(A).

[10] Telephone conversation between Michael J. Simon, Senior Vice President and General Counsel, ISE, and Nancy J. Sanow, Assistant Director, and Ira L. Brandriss, Attorney, Division of Market Regulation, the Commission, on November 8, 2000 (''Telephone conversation with the ISE'').

[11] BACs are intended to provide the PMM and CMMs comprising a bin solely with the means to discuss advice and suggestions on payment-for-order-flow issues and will not be used for any other purpose. Telephone conversation with the ISE.

[12] *See* Gateway Letter.

[13] *See* Binary Traders Letter.

[14] *See* McGee Letter.

[15] *See* ITA Letter.

[16] Two commenters believed that the ''prearranged trading'' implicit in payment-for-order-flow arrangements could violate Commission rule and/or federal criminal statutes. *See* Binary Traders Letter, McGee Letter. One commenter argued that market makers who believe that payment for order flow is unethical should not be compelled by an exchange to help fund the practice. *See* Gateway Letter.

market.[17] This would reduce liquidity and competition in the markets, thereby causing spreads to widen and harming investors, they believed. Some also feared that the large firms that survived would form cartels to eliminate their competition.[18]

Some commenters were also concerned about the discretion granted to the PMM in appropriating the funds generated by the fee.[19] They argued that the proposal obligates CMMs to pay a fee that their competitor, the PMM, can use to benefit itself—through direct payment relationships and the favored treatment that can arise from such relationships—and possibly in ways hidden from the CMMs.[20]

Another commenter, an independent Registered Options Trader on the Phlx, predicted some of the same outcomes feared by the proposal's opponents, but did not specifically take a position of whether the proposal should or should not be approved.[21]

The Phlx did not oppose the ISE proposal, believing that its impact would be minimal in view of the fact that other exchanges have already implemented similar payment-for-order-flow fees. However, as a general matter, the Phlx voiced the view that ''exchange-sponsored payment for order flow programs'' are anti-competitive, interfere with market forces, adversely impact market makers, interfere with the obligation of exchanges to supervise for best execution of customer orders, and are structural impediments to price competition.

While not objecting to the language of the ISE proposal, Knight Financial Products (''KFP'') commented that ''[e]xchange sponsored payment for order flow programs are not in the best interests of the securities industry.'' It added: ''To the extent the payment for order flow should even exist in the options industry, it should be a decision made by market makers and/or specialists and not the exchanges.'' At the same time, KFP believed that if the Commission allows the current status quo to continue, it should approve the ISE proposal to allow the ISE to remain competitive.

The CBOE believed that fairness dictates that the ISE's proposed rule change be approved, but took issue with what it viewed as misstatements in the proposal. Specifically, the CBOE disagreed with the ISE's belief that payment-for-order-flow programs sponsored by exchanges have a more detrimental effect on intramarket competition than other payment-for-order-flow plans.[22]

Susquehanna believed that the proposal raises numerous antitrust issues, concerning, for example, the sharing of information on payment for order flow among market participants; the determination of who will be permitted to participate in the discussions; and the establishment of different fees for different types of transactions. Susquehanna believed that the Commission should establish guidelines under which market participants may participate in option exchange payment-for-order-flow plans and indicate whether such guidelines will provide any immunity to market participants or exchanges under U.S. antitrust laws.

IV. Discussion

The Commission finds that the proposed rule change is consistent with the provisions of the Act and the rules thereunder applicable to a national securities exchange. The Commission believes the proposal is a reasonable competitive response on the part of the ISE to the adoption of similar payment-for-order-flow programs on other exchanges.

Specifically, the Commission believes that the proposed rule change provides for the equitable allocation of a reasonable fee among the ISE's members in accordance with Section 6(b)(4) of the Act,[23] designed, as it is, to enable the Exchange to compete with other markets in attracting options business. In conformance with Section 6(b)(8) of the Act,[24] the proposal, rather than imposing an unnecessary burden on competition, should serve to even the playing field among competing exchanges.

As required by section 6(b)(5) of the Act,[25] the proposed rule change is not designed to permit unfair discrimination among market participants. The proposal's differentiation of fees based on the types of transactions and according to the tiers described above is grounded upon a satisfactory rationale. No distinctions are made among Exchange members with respect to the amounts they must pay based on any factor other than the nature of the transaction upon which the fee is imposed and the trading characteristics of the particular option that it involves, as assessed in terms of objective criteria.

The Commission notes, in approving the proposed rule change, that the U.S. options markets are in the midst of profound and dynamic structural change, resulting from the intense competition for options order flow unleashed by the multiple listing of the most actively traded options beginning in August 1999. The creation of the ISE as the nation's newest options exchange, with plans to list some 600 standardized options classes traded on other markets, has also contributed in no small measure to the new competitive environment.

The heightened competition among markets and market participants for order flow, and the shifting order flow patterns it produces, shows no signs of abating. Payment for order flow—long a controversial facet of competition in the equities markets—has now emerged as a phenomenon in the options markets, as well.

As noted in a recently released Commission study, Payment for Order Flow and Internalization in the Options Markets (''SEC Study''),[26] the offering of direct cash compensation to broker-dealers to route their orders to a particular market center is, in fact, one of several strategies based on economic inducement to which exchanges and specialists have resorted in the intense competition to win orders.[27]

[17] Two commenters claimed that plans for distribution of the funds are designed to exclude many firms providing the money, ''effectively putting exchanges in the position of deciding who will stay in business and who will not be able to afford to maintain operations.'' *See* Binary Traders Letter, McGee Letter.

[18] *See* Binary Letter, McGee Letter. *See also* ITA Letter.

[19] *See, e.g.,* Gateway Letter, ITA Letter.

[20] One commenter claimed that the PMM would also be able to benefit by using documentation of the fees it could expect to have at its discretion as a credit, cash or vouc*h*er at another exchange. *See* Gateway Letter. Another commenter argued that specialists that operate on multiple exchanges would have divided loyalties and economic interests, and thus would lack sufficient incentive to use the funds collected at a particular exchange in a way that would promote that exchange's competitive interest. *See* ITA Letter.

[21] Hirsh Letter. The commenter also believed that under the proposal, market makers and specialists would tend to cooperate more than compete; brokers would promote increased options trading by their customers in order to reap the benefit of payment for order flow; smaller exchanges would increase their market share; and the exchanges and market participants involved in payment-for-order-flow arrangements would face litigation attacking their ''collaboration'' as ''subversive to the auction market and harmful to the customers.''

[22] CBOE Letter.

[23] 15 U.S.C. 78f(b)(4).

[24] 15 U.S.C. 78f(b)(8).

[25] 15 U.S.C. 78f(b)(5)

[26] *See* ''SEC Staff Report Describes Development of Payment for Order Flow and Internalization in the Options Markets,'' Commission press release 2000–190, December 20, 2000; the full report, prepared by the Commission's Office of Compliance Inspections and Examinations and Office of Economic Analysis, is available at http://www.sec.gov/news/studies/ordpay.htm.

[27] Other strategies identified in the SEC Study include: (1) Exchange rules that permit order-routing firms to ''internalize'' part of their orders, *i.e.,* trade as principal against at least a portion of their own customers' orders ahead of the trading

Both public customers and securities industry professionals have voiced deep concerns about this practice. The Commission, too, has repeatedly recognized—most recently, in the SEC Study—that the anticipation of payment for order flow raises a potential conflict of interest for brokers handling customer orders, and that reliance by market centers on the strategy of simply paying money to attract orders may present a threat to aggressive quote competition. At the same time, paying for order flow is not in itself unlawful, and the Commission has acknowledged that it is not necessarily inconsistent with a broker's duty of best execution—so long as appropriate measures are taken to ensure that that duty is in fact met.[28]

Payment for order flow assumes many different forms and guises—as numerous as the many different kinds of incentives granted to order flow providers by exchanges, specialists, and other market participants to order flow providers to entice them to send their business to them.[29] Without more, this form of such payment or incentive—however objectionable to some—cannot be said to be in itself inconsistent with the Act while other forms are accepted as consistent with the Act.[30] In this context, the ISE proposal cannot be said to constitute an undue burden on competition.

The strict proviso, however—as already mentioned—is that adequate protections must be established to assure that order flow providers meet their duty of best execution to their customers. In approving the ISE's proposed rule change, the Commission expects the Exchange to issue appropriate informational materials to its members that emphasize the best execution obligations of EAMs who may accept payment for order flow.

Moreover, the Commission notes that new Rule 11Ac1–6 under the Act, ''Disclosure of Order Routing Information,'' will require broker-dealers to make publicly available, for each calendar quarter, a report on how it routes its customer orders, including options orders.[31] That report must include a description of any payment for order flow arrangements the broker-dealer maintains with market centers to which it sends significant percentages of its orders.[32] The Commission believes that making these arrangements visible will encourage broker-dealers' compliance with their best execution obligations.

The Commission acknowledges the broader concern that payment for order flow may result in less aggressive competition for order flow on the basis of price, articulated in the comment letters.[33] However, singling out and banning only one particular form of such payment—for example, payment made possible by an exchange through the collection of fees from its market makers—would scarcely address the issue on the larger scale.

It therefore would be unfair to disapprove the payment for order flow program proposed by the ISE as a salve to the issues created by payments, rebates, credits, and other incentives to encourage order flow that now exist across both equity and options markets.

With respect to the concern voiced by Susquehanna that the proposal raises antitrust issues, the ISE has represented that the discussions among CMMs and PMMs in the BACs established under the proposal will be limited strictly to the subject of payment to order flow providers from the funds generated by the collected fees. Although Susquehanna urged the Commission to provide guidelines on option exchange payment-for-order-flow programs from an antitrust perspective, the Commission believes that market participants should consult their own legal counsel on antitrust issues.

With respect to the argument of some market makers that payment-for-order-flow fees are unaffordable, the Commission believes that the determination to impose them is a business decision legitimately made by the Exchange in assessing the costs that must be assumed if it is to remain competitive as a market center. With respect to other concerns voiced by the commenters, the Commission expects that the ISE, in fulfillment of its self-regulatory function, will be alert to any inappropriate expenditure of such funds in the service of particular members, or for use of these funds to encourage trades on other exchanges.

V. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (SR–ISE–00–10) be and hereby is approved.

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crowd on the floor of the exchange, thus reaping higher profits than they would realize as mere agents; (2) another form of internalization, in which a broker-dealer affiliated with a specialist firm determines to route all its orders in a particular option to the exchange where that firm serves as specialist in the option; and (3) reciprocal order-routing arrangements, whereby, for instance, a specialist agrees to send a particular broker-dealer the equities orders it receives in return for the broker-dealer routing to the specialist the options orders it receives. *See also infra,* note 29.

[28] *See, e.g.,* Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577 (February 28, 2000).

[29] For instance, Commission rules under the Act define payment for order flow broadly as:

any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer * * * including but not limited to: Research, clearance, custody, products or services; reciprocal agreements for the provision of order flow; adjustment of a broker or dealer's unfavorable trading errors; offers to participate as underwriter in public offerings; stock loans or shared interest accrued thereon; discounts, rebates, or any other reductions of or credits against any fee to, or expense or other financial obligation of, the broker or dealer routing a customer order that exceeds that fee, expense, or financial obligation.

See Rule 10b–10(d)(9), 17 CFR 240.10b–10(d)(9), incorporated by reference in the definitional section of recently approved Rule 11Ac1–6, 17 CFR 240.11Ac1–6 (effective date, January 30, 2001), which imposes new disclosure requirements on broker-dealers concerning their order routing practices, including payment for order flow arrangements. The new rule is applicable to both equity securities and options transactions. *See* Securities Exchange Act Release No. 43590 (November 17, 2000), 65 FR 75414 (December 1, 2000) (''Disclosure of Routing Practices Adopting Release''). *See also supra,* note 27.

[30] The Commission notes in this regard that several securities exchanges have adopted various programs in which the exchanges themselves grant economic inducements to members in an attempt to attract additional equity order flow to their markets. *See, e.g.,* Securities Exchange Act Release No. 41286 (April 14, 1999), 64 FR 19843 (April 22, 1999) (concerning specialist revenue sharing program at the Chicago Stock Exchange) and other programs cited in that release at note 8.

[31] 17 CFR 240.11Ac1–6. The Rule becomes effective January 30, 2001, while broker-dealers must comply with its provisions beginning July 2, 2001. *See* Disclosure of Routing Practices Adopting Release, Section V.

[32] *See* 17 CFR 240.11Ac1–6(b)(1)(iii) and Disclosure of Routing Practices Adopting Release, Section IV.B.

[33] Some of the findings of the recent SEC Study tend to validate this concern, although the study emphasized that continued monitoring of the markets is necessary.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[34]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–2243 Filed 1–24–01; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

Revocation of License of Small Business Investment Company

Pursuant to the authority granted to the United States Small Business Administration by the Final Order of the United States District Court for the District of New Jersey, dated September 13, 2000, the United States Small Business Administration hereby revokes the license of First Princeton Capital Corporation, a New Jersey Corporation, to function as a small business investment company under the Small Business Investment Company License No. 02/02–0449 issued to First Princeton Capital Corporation on March 8, 1983 and said license is hereby declared null and void as of September 30, 2000.

Dated: January 11, 2001.

Small Business Administration.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 01–2215 Filed 1–24–01; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

Revocation of License of Small Business Investment Company

Pursuant to the authority granted to the United States Small Business Administration by the Final Order of the United States District Court for the District for The Middle District of Tennessee, dated September 13, 2000, the United States Small Business Administration hereby revokes the license of Tennessee Venture Capital Corporation, a Tennessee Corporation, to function as a small business investment company under the Small Business Investment Company License No. 04/04–5176 issued to Tennessee Venture Capital Corporation on September 28, 1979 and said license is hereby declared null and void as of September 30, 2000.

Dated: January 11, 2001.

Small Business Administration.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 01–2213 Filed 1–24–01; 8:45 am]

BILLING CODE 8025–01–P

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income (SSI) for the Aged, Blind, and Disabled; SSI Work Incentives Demonstration Project

AGENCY: Social Security Administration (SSA).

ACTION: Notice.

SUMMARY: The Commissioner of Social Security announces the following demonstration project relating to the Supplemental Security Income (SSI) program under title XVI of the Social Security Act (the Act). Under this project, the Social Security Administration (SSA) will test the effectiveness of altering certain SSI program rules as an incentive to encourage SSI recipients with disabilities or blindness to work for the first time, return to work, or increase their work activity and earnings. This project, called the SSI Work Incentives Demonstration Project, is being conducted under the authority of section 1110(b) of the Act. We are conducting this project in selected States that are working with us under our State Partnership Initiative to assist people with disabilities to obtain employment and reduce their dependence on SSI benefits and benefits under other government programs. We are publishing this notice in accordance with 20 CFR 416.250(e).

FOR FURTHER INFORMATION CONTACT: Elissa Ness, Social Security Administration, Office of Employment Support Programs, 6401 Security Boulevard, 107 Altmeyer Building, Baltimore, Maryland, 21235–6401; Phone (410) 965–7955; or through E-mail to elissa.ness@ssa.gov.

SUPPLEMENTARY INFORMATION:

Background

What is the SSI program?

The SSI program established under title XVI of the Act provides monthly benefits for aged, blind and disabled individuals with limited income and resources. For SSI applicants and recipients, income is a factor in determining eligibility for, and the amount of, SSI benefits. In determining an individual's countable income for SSI program purposes, title XVI of the Act specifies certain items that are included as well as certain items and/or amounts that are excluded. Earnings from employment, minus certain exclusions, are counted as income to the individual. The amount of an individual's resources is used to determine whether he or she is eligible for SSI benefits for any given month. If an individual's countable resources are within the statutory limit for eligibility, they have no effect on the amount of the SSI payment to the recipient.

What is the SSI Work Incentives Demonstration Project?

This is a demonstration project which we are conducting under the authority of section 1110(b) of the Act to test whether altering certain requirements, conditions, or limitations under title XVI of the Act and the implementing regulations, relating to the counting of an SSI recipient's income and resources and to the initiation of certain continuing disability reviews for SSI recipients with disabilities or blindness, will encourage recipients of SSI benefits based on disability or blindness to attempt to work for the first time, return to work, or increase their work activity and earnings. Under the project, we will test, on a demonstration basis, the effectiveness of certain alternative SSI program rules as incentives for SSI recipients with disabilities or blindness who want to work to attempt work activity or increase their level of work activity. We are conducting the SSI Work Incentives Demonstration Project in connection with certain return-to-work projects for which we awarded cooperative agreement funds to certain States under SSA's State Partnership Initiative.

What is SSA's State Partnership Initiative?

The State Partnership Initiative (SPI), established by SSA, is the first activity launched under Executive Order 13078, Increasing Employment of Adults with Disabilities, signed on March 13, 1998 by President Clinton. This initiative is designed to help States develop innovative and integrated, state-wide programs of services and supports for their residents with disabilities.

In 1998, under the SPI program, SSA awarded five-year cooperative agreements to a number of States to develop innovative projects to increase job opportunities and enhance the coordination and delivery of rehabilitation, employment and other support services for adults who are recipients of SSI benefits based on disability or blindness, or who are Social Security Disability Insurance (SSDI) beneficiaries, to assist them to return to work or work for the first time

[34] 17 CFR 200.30–3(a)(12).