

and actively participate on the boards of directors of most of the Network Companies and all of the Controlled Companies. Idealab's approximately 200 employees, collectively, spend approximately 60% of their time working with the Network Companies, 25% of their time evaluating new company concepts, and 15% of their time on information systems, accounting and recruitment matters relative to idealab! itself.

d. *Nature of Assets.* Idealab! states that, as of March 1, 2000, idealab!'s Controlled Companies represented 75% of idealab!'s total assets on an unconsolidated basis (excluding government securities and cash items). Idealab! represents that in the future at least 60% of its total assets on an unconsolidated basis (exclusive of Government securities and cash items) will consist of securities issued by Controlled Companies ("60% Test"). For purposes of determining whether the 60% Test has been met, interests in Controlled Companies that are not majority-owned subsidiaries of idealab! will only be included if they are conducting similar types of businesses within the meaning of section 3(b)(2) of the Act.

e. *Sources of Income.* Idealab! states that its Network Companies are emerging interactive communications businesses that typically generate little or no income for idealab! in the form of dividends. Idealab! asserts that its activities as an operating company therefore are more appropriately analyzed by evaluating idealab!'s proportionate share of the revenues of its Controlled Companies as well as idealab!'s total revenues. Idealab! states that, for the four quarters ending October 31, 1999, idealab!'s revenues attributable to its Controlled Companies represented approximately 78% of idealab!'s total revenues.³ Idealab! states that this figure was derived by comparing (i) idealab!'s consolidated revenues, idealab!'s proportionate share of the revenues of its Controlled Companies that are not majority-owned, and idealab!'s income derived from interests in Controlled Companies to (ii)

idealab!'s total revenues comprised of the items in (i) as well as income derived from sales of interests in non-controlled companies and interest income. Idealab! states that in late 1999 it received \$193 million of revenue from the sale of stock of eToys, Inc. ("eToys"), a Network Company. Applicant represents that idealab! originally formed eToys as a wholly-owned subsidiary in early 1997. Applicant states that its equity stake was diluted to below 25% as eToys went through successive financing rounds, including an initial public offering in May 1999. Applicant represents that it sold part of its interest in eToys in late 1999 to address applicant's status under the Act. As a result of this disposition, idealab! states that, for the four quarters ending January 31, 2000, idealab!'s revenues attributable to its Controlled Companies represented approximately 39% of idealab!'s total revenues. Idealab! represents that it does not intend to derive a significant percentage of its revenues from income derived from sales of interests in non-controlled companies in the future.

6. Idealab! thus asserts that it qualifies for an order under section 3(b)(2) of the Act.

Temporary Order

In view of the circumstances set forth in the application, it is found that cause has been shown for granting an extension of the automatic exemption period provided by section 3(b)(2) upon the filing of an application. Accordingly,

It Is Ordered, under section 3(b)(2) of the Act, that a temporary order exempting idealab! from all provisions of the Act until the Commission takes final action on the application or, if earlier, until October 24, 2000, the first business day following a thirty-day period after the automatic exemption, as previously extended, expires is hereby granted effective immediately.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-24270 Filed 9-20-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-43290; File No. SR-PCX-00-30)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto by the Pacific Exchange, Inc. Relating to a New Fee on Market Makers' Transactions in Designated Equity Option Issues

September 13, 2000.

Pursuant to section 19(b)(1) of the Securities and Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 18, 2000, 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 Exchange. On September 11, 2000, the PCX submitted Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The PCX proposes to adopt a new fee to be imposed on transactions of market makers (including Lead Market Makers) at the rate and for the use described below. The text of the proposed rule change is available at the principal offices of the PCX.

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 Exchange 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 Exchange 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.

³ Idealab! states that, for purposes of this analysis, revenues from idealab!'s majority-owned subsidiaries were consolidated, and revenues of other Controlled Companies were attributed to idealab! in proportion to idealab!'s interests in the Controlled Companies. Idealab! uses the equity method of accounting for Controlled Companies that are not majority-owned subsidiaries. Idealab! notes that idealab!'s revenues attributable to its Controlled Companies would represent approximately 76% of idealab!'s total revenues if the revenues of idealab!'s consolidated majority-owned subsidiaries were attributed to idealab! in proportion to idealab!'s interests in the majority-owned subsidiaries.

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

1. Purpose

The purpose of the proposed new fee is to provide a source of revenue to the Exchange to be used in response to changing competitive circumstances that have arisen and may continue to arise in particular multiply traded equity options issues. These circumstances include the growing practice by some traders on options exchanges of paying brokers for orders in multiply traded issues directed to them. In light of this development and in order to be competitive in multiply traded options, the PCX has determined to impose a new fee on market makers' transactions in designated equity option issues.

All of the funds generated by the new fee will be segregated based upon the trading post where the options subject to the fee are traded. The funds will be made available to the Lead Market Maker ("LMM") at the trading post where the funds were collected, for the LMM's use in attracting orders in the options traded at that post. This use of funds could include payments from the LMMs to broker-dealers for the orders that the broker-dealers direct to the Exchange. The specific terms governing the orders that qualify for payment and the amount of any payments to be made will be determined by the LMMs in whatever manner they believe is most likely to be effective in attracting order flow to the Exchange in options traded at the LMMs' assigned posts.

LMMs will be obligated to account to the Exchange for the use they make of the funds that the Exchange makes available to them for this purpose, but all determinations concerning the amount the LMMs may pay for orders and the types and sizes of orders that qualify for payment will be made exclusively by the LMMs and not by the Exchange. The Exchange may provide administrative support to the LMMs in such matters as keeping track of the number of qualified orders each firm directs to the Exchange, and making the necessary debits and credits to the accounts of the LMMs and the firms to reflect the payments that are to be made.

The amount of the new fee will be set initially at \$0.40 per market maker contract for all equity option issues and will be effective as of July 31, 2000. Market maker to market maker trades and trades between a market maker and an LMM will not be part of the program, although fees will be collected for these trades and then rebated. Any changes to

the option issues to which the fee applies, to the rate or rates at which the fee is assessed, or to the Exchange's disposition of funds generated by the fee will be the subject of separate filings with the Commission made pursuant to Section 19(b)(3)(A)(ii) of the Act.³

As described above, the proposed fee will be imposed on all Exchange market makers (including LMMs) in the options that are subject to the fee. The PCX believes that, because these same persons will be able to participate in the order flow derived from the program, there will be a fair correlation between those members who pay the costs of the program funded by the new fee and those who receive the benefits of the program.

In accordance with this program involving payment for order flow that may be funded by the Exchange's proposed fee, the Exchange intends to provide PCX order flow providers with objective data on the executions of their option orders so that they can assess the quality of executions they receive on the PCX.⁴

2. Statutory Basis

The PCX believes that the new fee and the program it will fund will serve to enhance the competitiveness of the Exchange and its members. Accordingly, the PCX believes that this proposal is consistent with and furthers the objectives of the Act, including Section 6(b)(5) thereof,⁵ which requires the rules of exchanges to be designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and Section 11A(a)(1)(C) thereof,⁶ which reflects the finding of Congress that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure fair competition among brokers and dealers and among exchange markets.

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.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ The PCX has filed with the Commission a rule change proposal, File No. SR-PCX-00-31, regarding the furnishing of Pacific Exchange Customer Execution ("PACEX") Reports to the Exchange's order flow providers.

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 788k-1(a)(1)(C).

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁷ and Rule 19b-4(f)(2) thereunder.⁸ At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

The Commission has frequently raised serious concerns about payment for order flow and internalization.⁹ Payment for order flow is of concern because brokers who are paid to send their customers' orders to one exchange have a conflict of interest that may reduce their commitment to the duty they owe their customers to find the best execution available. While payment for order flow has been a common practice in the equities markets for some time, only recently has payment for order flow developed in the options markets. Despite these concerns, however, the PCX's proposal involves the imposition of a fee and the Act gives exchanges wide latitude to establish, revise, and collect fees and other charges without prior Commission approval. The Commission invites interested persons to submit written data, views and arguments concerning the foregoing, including whether the proposed rule is consistent with the Act. In particular, the Commission asks persons who submit comments whether the payment for order flow facilitated by the PCX's proposal raises greater or

⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

⁸ 17 CFR 240.19b-4(f)(2).

⁹ See Securities Exchange Act Release No. 43228 (Aug. 30, 2000), 65 FR 54330 (Sept. 7, 2000); Securities Exchange Act Release No. 43177 (Aug. 18, 2000), 65 FR 51889 (Aug. 25, 2000); Securities Exchange Act Release No. 43112 (Aug. 3, 2000), 65 FR 49040 (Aug. 10, 2000); Securities Exchange Act Release No. 42450 (Feb. 23, 2000), 65 FR 10577 (Feb. 28, 2000); Securities Exchange Act Release No. 34902 (Oct. 27, 1994), 59 FR 55006 (Nov. 2, 1994). See also Securities Exchange Act Release No. 43084 (July 28, 2000).

different concerns than payment for order flow at other options exchanges. After receiving comments, and at any time within 60 days from the date the PCX filed its proposal, the Commission can decide to require the PCX to stop collecting the fee, refile the proposal, and await Commission approval before reinstating the fee.

Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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. 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-00-30 and should be submitted by October 12, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-24271 Filed 9-20-00; 8:45 am]

BILLING CODE 8010-01-M

SELECTIVE SERVICE SYSTEM

Privacy Act of 1974; Publication of Notice of Systems of Records

AGENCY: Selective Service System.

ACTION: Notice: publication of systems of records.

SUMMARY: The purpose of this notice is to meet the requirement of the Privacy Act of 1974 regarding the annual publication of the agency's notice of systems of records. The complete text of all Selective Service System notices appears below. Authority: 5 U.S.C. 552a.

Systems of Records

SSS-2 General Files (Registrant Processing)
 SSS-3 Reconciliation Service Records
 SSS-4 Registrant Information Bank (RIB) Records
 SSS-5 Registrant Processing Records
 SSS-6 Reserve and National Guard Personnel Records
 SSS-7 Uncompensated Personnel Records

SSS-8 Suspected Violator Inventory System
 SSS-9 Master Pay Record
 SSS-10 Registrant Registration Records

SSS-2

SYSTEM NAME:

General Files—(Registrant Processing) SSS.

SECURITY CLASSIFICATION:

None.

SYSTEM LOCATION:

National Headquarters, Selective Service System, 1515 Wilson Boulevard, Arlington, VA 22209-2425.

CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM:

Registrants of the Selective Service System and other individuals and organizations.

CATEGORIES OF RECORDS IN THE SYSTEM:

Contains current and previous correspondence with individual registrants, private individuals and Government agencies, requesting information or resolution of specific problems related to registrant processing or agency operations.

AUTHORITY FOR MAINTENANCE OF THE SYSTEM:

Section 10(b)(3), Military Selective Service Act (50 U.S.C. App. 460(b)(3)).

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

Department of Justice—Refer to reports received as to possible violations of the Military Selective Service Act.

Federal Bureau of Investigation—Refer reports received as to possible violations of the Military Selective Service Act.

Department of Defense—Exchange of information respecting status of individuals subject to the provisions of the Military Selective Service Act.

Immigration and Naturalization Service—Response to inquiries concerning aliens.

Department of Health and Human Services—for locations of parents pursuant to the Child Support Enforcement Act (42 U.S.C. 651 *et seq.*)

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

STORAGE:

Paper copies maintained in routine filing equipment.

RETRIEVABILITY:

Records are indexed alphabetically by last name.

SAFEGUARDS:

Measures that have been taken to prevent unauthorized disclosures of records are:

a. Records maintained by authorized personnel only, who have been trained in the rules and regulations concerning disclosures of information; offices are locked when authorized personnel are not on duty.

b. Periodic security checks and other emergency planning.

c. Records transferred for storage are boxed and taped; records in transit for temporary custody of another office are sealed. Records eligible for destruction are destroyed by maceration, shredding or burning.

RETENTION AND DISPOSAL:

Hold file intact for five years from date of latest correspondence.

SYSTEM MANAGER(S) AND ADDRESS:

Director of Selective Service, 1515 Wilson Boulevard, Arlington, VA 22209-2425, Attn: Records Manager.

RECORD ACCESS PROCEDURES:

An individual desiring to obtain information on the procedures for gaining access to and contesting records may write to: Director of Selective Service, Selective Service System, 1515 Wilson Boulevard, Arlington, VA 22209-2425, Attn: Records Manager.

It is necessary to furnish the following information in order to identify the individual whose records are requested:

- Full name of the individual.
- Date of birth.
- Selective Service Number (if available).
- Mailing address to which the reply should be mailed.

CONTESTING RECORD PROCEDURES:

See Record Access Procedures, above.

RECORD SOURCE CATEGORIES:

Individual registrants and private individuals and organizations, Members of the Congress acting on behalf of constituents.

SYSTEMS EXEMPTED FOR CERTAIN PROVISIONS OF THE ACT:

None.

SSS-3

SYSTEM NAME:

Reconciliation Service Records—SSS.

SECURITY CLASSIFICATION:

None.

SYSTEM LOCATION:

National Headquarters, Selective Service System, 1515 Wilson Boulevard, Arlington, VA 22209-2425.

¹⁰ 17 CFR 200.30-3(a)(12).