

not been paid since the date on which it should have been paid.

(f) **Gross Revenues.** The term “gross revenues from the securities business” includes the revenues in the definition of gross revenues from the securities business set forth in the applicable sections of the Act.

(g) **Net Operating Revenues.** The term “net operating revenues from the securities business” means gross revenues from the securities business less interest and dividend expenses, and includes those clarifications as are set forth in the SIPC assessment forms and instructions.]

Section 2. Overpayments

If the final annual reconciliation filed by a terminated member reflects an assessment overpayment carried forward that exceeds \$150.00, SIPC may refund such excess to the member upon receipt of the member’s written request therefor and after [the member’s] SIPC [collection agent] has confirmed [to SIPC] that all of the member’s SIPC assessment form filings and payments and reports required by SEC Rule 17a–5 covering periods through the termination date have been reviewed and accepted.

Section 3. Interpretation of Terms

(a) For purposes of *calculating assessments* [this article]:

[(a)](i) The term “securities in trading accounts” shall mean securities held for sale in the ordinary course of business and not identified as having been held for investment.

[(b)](ii) The term “securities in investment accounts” shall mean securities that are clearly identified as having been acquired for investment in accordance with provisions of the Internal Revenue Code applicable to dealers in securities.

[(c)](iii) The term “fees and other income from such other categories of the securities business” shall mean all revenue related either directly or indirectly to the securities business except revenue included in Section 16(9)(A)–(K) and revenue specifically excepted in Section 4(c)(3)(C).

(b) *For purposes of this Article:*

(i) **Gross Revenues.** The term “gross revenues from the securities business” includes the revenues in the definition of gross revenues from the securities business set forth in the applicable sections of the Act.

(ii) **Net Operating Revenues.** The term “net operating revenues from the securities business” means gross revenues from the securities business less interest and dividend expenses, and includes those clarifications as are set

forth in the SIPC assessment forms and instructions.

(iii) **SIPC Fund or Fund.** The term “SIPC Fund” or “Fund” is as defined in Section 4(a)(2) of the Act, exclusive of confirmed lines of credit.

(iv) **SIPC’s unrestricted net assets.** The term “SIPC’s unrestricted net assets” means the lesser of SIPC’s unrestricted net assets as reflected in SIPC’s most recent audited Statement of Financial Position or reasonably expected by SIPC to be reflected in its next audited Statement of Financial Position.

V. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing by any of the following methods:

Electronic Comments

- Use the Commission’s internet comment form (<http://www.sec.gov/rules/other.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SIPC–2019–02 on the subject line.

Paper Comments

- Send paper comments to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All comments should refer to File Number SIPC–2019–02. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s internet website (<http://www.sec.gov/rules/other.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed bylaw changes that are filed with the Commission, and all written communications relating to the proposed bylaw changes 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 website viewing and printing in the Commission’s Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Commission. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SIPC–2019–02, and should be submitted on or before February 20, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

J. Matthew DeLesDernier,
Assistant Secretary.

[FR Doc. 2020–01610 Filed 1–29–20; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–88036; File No. SR–Phlx–2020–02]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Phlx’s Pricing Schedule

January 24, 2020.

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 January 14, 2020, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. 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 proposes to amend Phlx’s Pricing Schedule. Specifically, the Exchange proposes to amend Options 7, Section 4, titled “Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed).”

The Exchange originally filed the proposed pricing changes on January 2, 2020 (SR–Phlx–2020–01). On January 14, 2020, the Exchange withdrew that filing and submitted this filing.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

²⁰ 17 CFR 200.30–3(f)(2)(i); 17 CFR 200.30–3(f)(3).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

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.

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

1. Purpose

Phlx proposes to amend its Pricing Schedule at Options 7, Section 4, titled "Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed)." The Exchange proposes to

amend pricing for certain strategy caps. The Exchange believes the proposed amendments will incentivize market participants to transact various options strategies on Phlx to take advantage of the opportunity to cap floor option transaction charges and lower their costs.

Today, to qualify for a strategy cap, the buy and sell side of a transaction must originate from the Exchange floor.³ Today, the Exchange offers the following strategy caps:

| Floor Options Transactions—Multiply Listed Options | Strategy | Qualification | Cap |
|---|---|--|---------|
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | dividend, merger and short stock interest strategies. | executed on the same trading day in the same options class when such members are trading in their own proprietary accounts.. | \$1,500 |
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | reversal and conversion strategies | executed on the same trading day in the same options class. | 700 |
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | jelly rolls | executed on the same trading day in the same options class. | 700 |
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | box spreads | executed on the same trading day in the same options class. | 700 |
| Per member organization | dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategies ("Monthly Strategy Cap"). | combined executions in a month when trading in own proprietary accounts. | 65,000 |

NDX and NDXP Options Transactions are excluded from Strategy Cap pricing.⁴

The Exchange proposes to amend the strategy caps applicable to Specialists,⁵ Market Makers,⁶ Professionals,⁷ Firms⁸ and Broker-Dealers⁹ with respect to dividend,¹⁰ merger¹¹ and short stock interest¹² strategies.

Dividend Strategy

Today, to qualify for a dividend cap, a Specialist, Market Maker, Professional, Firm or Broker-Dealer must execute on the same trading day in the same options class when such members are

trading in their own proprietary accounts. If the qualification is met, Specialists, Market Makers, Professionals, Firms and Broker-Dealers floor option transaction charges are capped at \$1,500. The Exchange proposes to amend the qualification for Specialists, Market Makers, Professionals, Firms and Broker-Dealers dividend strategies by lowering the cap from \$1,500 to \$1,100 and also amending the qualification for dividend strategies. The proposed qualification would be expanded to allow Specialists, Market Makers, Professionals, Firms and

Broker-Dealers to qualify for the cap by executing on the same trading in the same options class when (1) such members are trading in their own proprietary account, as is the case today, or (2) when transacted on an agency basis. If transacted on an agency basis, the daily cap will apply per beneficial account. For example, if Firm A transacted \$600 of qualifying dividend strategies for customer A, \$1,500 qualifying dividend strategies for customer B and \$2,000 qualifying dividend strategies for customer C, then customer A would not qualify for a

³ See Phlx's Pricing Schedule at Options 7, Section 4.

⁴ Today, reversal and conversion, jelly roll and box spread strategy executions are not included in the Monthly Strategy Cap for a Firm. Also, all dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions are excluded from the Monthly Market Maker Cap. Specialists and Market Makers are subject to a "Monthly Market Maker Cap" of \$500,000 which is explained in greater detail within Options 7, Section 4.

⁵ The term "Specialist" applies to transactions for the account of a Specialist (as defined in Exchange Rule 1020(a)). A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An options Specialist includes a Remote Specialist which is defined as an options specialist in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

⁶ The term "Market Maker" will be utilized to describe fees and rebates applicable to Registered Options Traders, Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders

("RSQTs"). RSQTs may also be referred to as Remote Market Makers ("RMMs"). The term "Registered Option Trader" or "ROT" is defined in Exchange Rule 1000(b)(57). A ROT includes SQTs and RSQTs as well as on and off-floor ROTS. The term "Streaming Quote Trader" is defined in Exchange Rule 1000(b)(59). The term "Remote Streaming Quote Trader" is defined in Exchange Rule 1000(b)(60). A Remote Streaming Quote Trader Organization or "RSQTO," which may also be referred to as a Remote Market Making Organization ("RMO"), is a member organization in good standing that satisfies the RSQTO readiness requirements in Rule 507(a).

⁷ The term "Professional" applies to transactions for the accounts of Professionals, as defined in Exchange Rule 1000(b)(14) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

⁸ The term "Firm" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation. See Options 7, Section 1.

⁹ The term "Broker-Dealer" applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1.

¹⁰ A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend. See Options 7, Section 4.

¹¹ A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. See Options 7, Section 4.

¹² A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class. See Options 7, Section 4.

dividend strategy cap and customers B and C would each separately cap at \$1,100 for qualifying dividend strategies pursuant to this proposal. The Exchange believes that its proposal will incentivize members to transact a greater number of dividend strategies because the cap is being lowered from \$1,500 to \$1,100 and the Exchange is permitting members to qualify for the cap by transacting dividend strategies either in their proprietary account or on an agency basis.

Merger and Short Stock Interest Strategies

The Exchange proposes to amend the current merger and short stock interest strategy cap which require the strategies to be executed on the same trading day in the same options class when such members are trading in their own proprietary accounts, to qualify for a \$1,500 cap. The Exchange proposes to instead require Specialists, Market Makers, Professionals, Firms and Broker-Dealers that transact merger and short stock interest strategies, along with reversal, conversion, jelly roll and box spread strategies, to execute these strategies on the same trading day for all options classes in the aggregate when such members are trading (1) in their own proprietary accounts, as is the case today, or (2) on an agency basis. If transacted on an agency basis, the daily cap will apply per beneficial account. The Exchange would offer a cap of \$1,100 to Specialists, Market Makers, Professionals, Firms and Broker-Dealers who qualify for the merger, short stock

interest, reversal, conversion, jelly roll and box spread strategies, collectively. The Exchange believes that its proposal will incentivize members to transact a greater number of merger and short stock interest strategies because the cap for merger and short stock interest strategies is being lowered from \$1,500 to \$1,100 and the Exchange is permitting members to aggregate all options classes to qualify for the cap and also permitting members to transact merger, short stock interest, reversal, conversion, jelly roll and box spread strategies either in their proprietary account or on an agency basis.

Reversal and Conversion, Jelly Roll and Box Spread Strategies

The Exchange proposes to eliminate the current reversal and conversion,¹³ jelly roll¹⁴ and box spread¹⁵ strategy caps for Specialists, Market Makers, Professionals, Firms and Broker-Dealers which require the strategies to be executed on the same trading day in the same options class for a cap of \$700, respectively, for each strategy and adopt strategy caps similar to those proposed for the merger and short stock interest strategies. Specifically, Phlx proposes to adopt a new strategy cap for Specialists, Market Makers, Professionals, Firms and Broker-Dealers for merger, short stock interest, reversal and conversion, jelly roll and box spread strategies, collectively, which requires that these strategies be executed on the same trading day for all options classes in the aggregate. Today, members are not limited as to the manner in which they

may transact reversal and conversion, jelly roll or box spread strategies. For clarity, the Exchange proposes to state within the rule text that members may transact these strategies in their own proprietary accounts or on an agency basis to qualify for the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy cap. The Exchange proposes to limit members who transact merger, short stock interest, reversal and conversion, jelly roll or box spread strategies on an agency basis by applying the cap per beneficial account similar to the dividend strategy cap. The Exchange would offer a cap of \$1,100 for qualifying merger, short stock interest, reversal and conversion, jelly roll or box spread strategies. The Exchange believes that its proposal will incentivize members to transact a greater number of reversal and conversion, jelly roll and box spread strategies despite the increase in the cap from \$700 to \$1,100 because members may aggregate all options classes and collectively aggregate merger, short stock interest, reversal and conversion, jelly roll or box spread strategies to qualify for the cap.

For purposes of the Exhibit 5 rule text, the dividend strategy cap will have its own qualification and cap and the remainder of the strategies, merger, short stock interest, reversal and conversion, jelly roll and box spread, will be grouped into a second category with a collective qualification and cap applicable to those strategies. The Exchange proposes the below rule text:

| Floor Options Transactions—Multiply Listed Options | Strategy | Qualification | Cap |
|---|---|---|---------|
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | dividend | executed on the same trading day in the same options class when such members are trading: (1) In their own proprietary accounts; or (2) on an agency basis. If transacted on an agency basis, the daily cap will apply per beneficial account. | \$1,100 |
| Specialist, Market Maker, Professional, Firm and Broker-Dealer. | reversal and conversion, merger, short stock interest, jelly roll, and box spread strategies. | executed on the same trading day for all options classes in the aggregate when such members are trading. (1) In their own proprietary accounts; or (2) on an agency basis. If transacted on an agency basis, the daily cap will apply per beneficial account. | 1,100 |

¹³ Reversal and conversion strategies are transactions that employ calls and puts of the same strike price and the underlying stock. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the

same strike and expiration. See Options 7, Section 4.

¹⁴ A jelly roll strategy is defined as transactions created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the same strike price and expiration. The second position involves selling a put and buying a call, with the same strike price,

but with a different expiration from the first position. See Options 7, Section 4.

¹⁵ A box spread strategy is a strategy that synthesizes long and short stock positions to create a profit. Specifically, a long call and short put at one strike is combined with a short call and long put at a different strike to create synthetic long and synthetic short stock positions, respectively. See Options 7, Section 4.

| Floor Options Transactions—Multiply Listed Options | Strategy | Qualification | Cap |
|--|---|--|--------|
| Per member organization | dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategies ("Monthly Strategy Cap"). | combined executions in a month when trading in its own proprietary accounts. | 65,000 |

The Exchange is not proposing to amend the \$65,000 cap per member organization which is currently offered.¹⁶ The Exchange is proposing a technical amendment to add the word "its" for the qualifying language for a member organization. The amended phrase would state "combined executions in a month when trading in its own proprietary account."

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."¹⁹

Likewise, in *NetCoalition v. Securities and Exchange Commission*²⁰ ("NetCoalition") the D.C. Circuit upheld the Commission's use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.²¹ As the court

emphasized, the Commission "intended in Regulation NMS that 'market forces, rather than regulatory requirements' play a role in determining the market data . . . to be made available to investors and at what cost."²²

Further, "[n]o one disputes that competition for order flow is 'fierce.' . . . As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'. . . ." ²³ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

Dividend Strategy

The Exchange's proposal to amend the Specialist, Market Maker, Professional, Firm and Broker-Dealer qualification and cap for dividend strategies cap is reasonable. The Exchange is lowering the cap from \$1,500 to \$1,100. Also, the proposed qualification would be expanded to allow Specialists, Market Makers, Professionals, Firms and Broker-Dealers to qualify for the cap by executing on the same trading in the same options class when such members are trading: (1) In their own proprietary account, as is the case today; or (2) on an agency basis.²⁴ This expanded qualification would allow additional options transactions to qualify for the dividend strategy cap. The combination of the expansion of the qualification and lowering of the dividend cap should encourage members to transact additional dividend strategies on Phlx. Finally, the proposal to permit the dividend strategy cap to apply to each beneficial account is reasonable. As explained herein, members would be permitted to transact dividend strategies

in their own proprietary account or on an agency basis. To the extent that a member is transacting a dividend strategy on an agency basis, the benefit of the dividend cap would apply separately to each beneficial account on whose behalf the member is executing the dividend strategy. The Exchange believes that it is reasonable to apply the cap to each beneficial account when the dividend strategy was transacted on an agency basis, as compared to the member that transacts a dividend strategy for his own proprietary account and therefore may capture the benefit of the dividend strategy for all qualifying transactions in their proprietary account. When the member transacts the dividend strategy on an agency basis, it is for the benefit of a customer. The Exchange believes that applying the dividend cap to each of those customer accounts separately is reasonable as the dividend cap is intended to encourage each member to execute a greater amount of dividend strategies. The Exchange believes applying the dividend cap per beneficial account when transacted on an agency basis would allow the Exchange to incentivize dividend strategies in accordance with the order flow that each member executes on the Exchange.

The Exchange's proposal to amend the qualification for Specialists, Market Makers, Professionals, Firms and Broker-Dealers dividend strategies by lowering the cap from \$1,500 to \$1,100 and also amending the qualification for dividend strategies is equitable and not unfairly discriminatory because all members may qualify for the dividend strategy cap provided they transact the requisite amount of dividend strategies wherein the buy and sell side of a transaction originated from the Exchange floor. The Exchange also believes that it is equitable and not unfairly discriminatory to permit a dividend strategy cap to apply to each beneficial account when transacted on an agency basis. To the extent that a member is transacting a dividend strategy on an agency basis, the Exchange would uniformly apply the benefit of the dividend cap separately to each beneficial account on whose behalf the member is executing the dividend strategy because the transaction is for

¹⁶ Member organization that qualify for a Monthly Strategy Cap for a dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy by combining executions in a month when trading in their own proprietary accounts are capped at \$65,000 for the month.

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(4) and (5).

¹⁹ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

²⁰ *NetCoalition v. SEC*, 615 F.3d 525 (D.C. Cir. 2010).

²¹ See *NetCoalition*, at 534–535.

²² *Id.* at 537.

²³ *Id.* at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

²⁴ If transacted on an agency basis, the daily cap will apply per beneficial account.

the benefit of a customer and not the member.

Merger and Short Stock Strategies

The Exchange's proposal to amend the current merger and short stock interest strategy cap, which requires that the strategies be executed on the same trading day in the same options class when such members are trading in their own proprietary accounts, to qualify for a \$1,500 cap is reasonable. The Exchange proposes to expand the current requirement to permit Specialists, Market Makers, Professionals, Firms and Broker-Dealers that transact merger and short stock interest strategies, along with reversal, conversion, jelly roll and box spread strategies, to execute these strategies on the same trading day for all options classes in the aggregate when such members are trading in their own proprietary accounts or on an agency basis to qualify. Today, members may transact merger and short stock interest strategies in their own proprietary account. Adding the ability to transact merger and short stock interest on an agency basis to qualify for the cap is proposed herein. To the extent that a member is transacting merger or short stock interest strategies on an agency basis, or a reversal, conversion, jelly roll and box spread strategy, the benefit of the cap would apply separately to each beneficial account on whose behalf the member is executing the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy. The Exchange believes that it is reasonable to apply the cap to each beneficial account when the merger or short stock interest strategy, along with the reversal, conversion, jelly roll and box spread strategy, was transacted on an agency basis, as compared to the member that transacts a merger or short stock interest strategy, or reversal, conversion, jelly roll and box spread strategy, for his own proprietary account and therefore may capture the benefit of the merger or short stock interest strategy, or reversal, conversion, jelly roll and box spread strategy, for all qualifying transactions in their proprietary account. When the member transacts the merger or short stock interest strategy on an agency basis, or reversal, conversion, jelly roll and box spread strategy, it is for the benefit of a customer. The Exchange believes that applying the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy cap to each of those customer accounts separately is reasonable as the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy cap is intended to encourage each member to execute a

greater amount of these strategies. The Exchange believes applying the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy cap per beneficial account when transacted on an agency basis would allow the Exchange to incentivize merger and short stock interest strategies in accordance with the order flow that each member executes on the Exchange.

The Exchange would also lower the current merger and short stock interest cap from \$1,500 to \$1,100. The Exchange believes that the combination of expanding the qualifications to permit members to aggregate all options classes and transact on an agency basis, in addition to also continuing to trade in their own proprietary account, as well as lowering the cap will encourage members to transact a greater number of merger and short stock interest strategies.

The Exchange's proposal to amend the qualification for Specialists, Market Makers, Professionals, Firms and Broker-Dealers merger and short stock interest strategies by lowering the cap from \$1,500 to \$1,100 and also amending the qualification for these strategies is equitable and not unfairly discriminatory because all members may qualify for the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy cap provided they transact the requisite amount of merger, short stock interest, reversal, conversion, jelly roll and box spread strategies wherein the buy and sell side of a transaction originated from the Exchange floor. The Exchange also believes that it is equitable and not unfairly discriminatory to permit a merger, short stock interest, reversal, conversion, jelly roll and box spread strategy cap to apply to each beneficial account when transacted on an agency basis. To the extent that a member is transacting a merger, short stock interest, reversal, conversion, jelly roll and box spread strategy on an agency basis, the benefit of the merger or short stock interest cap would apply separately to each beneficial account on whose behalf the member is executing the merger, short stock interest, reversal, conversion, jelly roll and box spread strategy because the transaction is for the benefit of a customer and not the member.

Reversal and Conversion, Jelly Roll and Box Spread Strategies

The Exchange's proposal to eliminate the current reversal and conversion, jelly roll and box spread strategy caps for Specialists, Market Makers, Professionals, Firms and Broker-Dealers

and adopt a new strategy cap for these strategies, along with the merger and short stock interest strategies, which requires that these strategies be executed on the same trading day for all options classes in the aggregate when such members are trading in their own proprietary accounts or transacted on an agency basis to qualify is reasonable. Unlike the current qualification for reversal and conversion, jelly roll and box spread strategies which requires that these strategies be executed on the same trading day in the same options class, the proposed qualification would permit the strategies to be executed on the same trading day for all options classes in the aggregate, along with the merger and short stock interest strategies. Further, the Exchange will continue to not limit the manner in which the transactions may be executed, either in a member's proprietary account or on an agency basis, for the reversal and conversion, jelly roll and box spread strategies. Today, there is no limitation as to whether reversal and conversion, jelly roll and box spread strategy caps must be executed on a proprietary or agency basis. For clarity, the Exchange is noting within the rule text that members may transact reversal and conversion, jelly roll and box spread strategy caps either in their own proprietary accounts or on an agency basis, in conjunction with merger and short stock interest strategies. To the extent that a member is transacting merger, short stock interest, reversal and conversion, jelly roll and box spread strategies on an agency basis, the benefit of the cap would apply separately to each beneficial account on whose behalf the member is executing the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy. The Exchange believes that it is reasonable to apply the cap to each beneficial account when the merger, short stock interest, reversal and conversion, jelly roll and box spread strategies were transacted on an agency basis, as compared to the member that transacts a merger, short stock interest, reversal and conversion, jelly roll and box spread strategy for his own proprietary account and therefore may capture the benefit of these strategies for all qualifying transactions in their proprietary account. When the member transacts a merger, short stock interest, reversal and conversion, jelly roll and box spread strategy on an agency basis, it is for the benefit of a customer. The Exchange believes that applying the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy cap to each of those customer

accounts separately is reasonable as the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy cap is intended to encourage each member to execute a greater amount of these strategies. The Exchange believes applying the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy cap per beneficial account when transacted on an agency basis would allow the Exchange to incentivize reversal and conversion, jelly roll and box spread strategies in accordance with the order flow that each member executes on the Exchange. Despite the increase in the cap from \$700 to \$1,100 for the reversal and conversion, jelly roll and box spread strategies, the Exchange believes that members will be able to meet the new qualification because members will be able to aggregate all options classes to qualify for the increased cap.

The Exchange's proposal to eliminate the current reversal and conversion, jelly roll and box spread strategy caps for Specialists, Market Makers, Professionals, Firms and Broker-Dealers and adopt a new strategy cap for these strategies which requires that these strategies be executed on the same trading day for all options classes in the aggregate, when such members are trading in their own proprietary accounts or on an agency basis, in conjunction with the merger and short stock interest strategies, is equitable and not unfairly discriminatory. All members may qualify for the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy caps provided they transact the requisite amount of merger, short stock interest, reversal and conversion, jelly roll and box spread strategies wherein the buy and sell side of a transaction originated from the Exchange floor. The Exchange also believes that it is equitable and not unfairly discriminatory to permit a merger, short stock interest, reversal and conversion, jelly roll and box spread strategy cap to apply to each beneficial account when transacted on an agency basis. To the extent that a member is transacting a merger, short stock interest, reversal and conversion, jelly roll and box spread strategy on an agency basis, the benefit of the merger, short stock interest, reversal and conversion, jelly roll and box spread cap would apply separately to each beneficial account on whose behalf the member is executing these strategies because the transaction is for the benefit of a customer and not the member.

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 not necessary or appropriate in furtherance of the purposes of the Act.

Inter-market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Intra-market Competition

The proposed amendments do not impose an undue burden on intra-market competition. The Exchange's proposal to amend the qualification for Specialists, Market Makers, Professionals, Firms and Broker-Dealers dividend strategies by lowering the cap from \$1,500 to \$1,100 and also amending the qualification for dividend strategies does not impose an undue burden on intra-market competition because all members may qualify for the dividend strategy cap provided they transact the requisite amount of dividend strategies wherein the buy and sell side of a transaction originated from the Exchange floor. The Exchange also believes that it does not impose an undue burden on competition to permit a dividend cap to apply to each beneficial account when transacted on an agency basis. To the extent that a member is transacting a dividend strategy on an agency basis, the benefit of the dividend cap would apply separately to each beneficial account on whose behalf the member is executing the dividend strategy because the

transaction is for the benefit of a customer and not the member.

The Exchange's proposal to amend the qualification for Specialists, Market Makers, Professionals, Firms and Broker-Dealers merger and short stock interest strategies by lowering the cap from \$1,500 to \$1,100 and also amending the qualification for these strategies to allow these strategies to be in the aggregate for all options classes and on an agency basis, along with reversal and conversion, jelly roll and box spread strategies, while continuing to permit members to trade in their own proprietary accounts, in conjunction with the reversal and conversion, jelly roll and box spread strategies, does not impose an undue burden on competition because all members may qualify for the merger and short stock interest strategy caps provided they transact the requisite amount of merger, short stock interest, reversal and conversion, jelly roll and box spread strategies wherein the buy and sell side of a transaction originated from the Exchange floor. The Exchange also believes that it does not impose an undue burden on competition to permit a merger, short stock interest, reversal and conversion, jelly roll and box spread cap to apply to each beneficial account when transacted on an agency basis. To the extent that a member is transacting a merger, short stock interest, reversal and conversion, jelly roll and box spread strategy on an agency basis, the benefit of the merger, short stock interest, reversal and conversion, jelly roll and box spread would apply separately to each beneficial account on whose behalf the member is executing these strategies because the transaction is for the benefit of a customer and not the member.

The Exchange's proposal to eliminate the current reversal and conversion, jelly roll and box spread strategy caps for Specialists, Market Makers, Professionals, Firms and Broker-Dealers and adopt a new strategy increased cap of \$1,100 for these strategies which requires that these strategies be executed on the same trading day for all options classes in the aggregate, when such members are trading in their own proprietary accounts or on an agency basis, in conjunction with merger and short stock interest strategies, does not impose an undue burden on competition. All members may qualify for the merger, short stock interest, reversal and conversion, jelly roll and box spread strategy caps provided they transact the requisite amount of merger, short stock interest, reversal and conversion, jelly roll and box spread strategies wherein the buy and sell side

of a transaction originated from the Exchange floor. Further, increasing the cap from \$700 to \$1,100 for the reversal and conversion, jelly roll and box spread strategies does not impose an undue burden on competition because all members may qualify for the new qualification by aggregating all options classes to qualify for the increased cap in the merger and short stock interest, reversal and conversion, jelly roll and box spread strategies

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁵

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-Phlx-2020-02 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.
- All submissions should refer to File Number SR-Phlx-2020-02. This file number should be included on the subject line if email is used. To help the Commission process and review your

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). 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 website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2020-02 and should be submitted on or before February 20, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

J. Matthew DeLesDernier,

Assistant Secretary.

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BILLING CODE 8011-01-P

TENNESSEE VALLEY AUTHORITY

North Alabama Utility-Scale Solar Environmental Impact Statement

AGENCY: Tennessee Valley Authority.

ACTION: Notice of Intent.

SUMMARY: The Tennessee Valley Authority (TVA) intends to prepare an Environmental Impact Statement (EIS) for the proposed TVA-developed solar facility in Lawrence County, Alabama. The purpose of this EIS is to address the potential environmental effects associated with building, operating, and maintaining the solar facility, North Alabama Utility-Scale Solar Project, in Lawrence County, Alabama. The proposed facility would encompass approximately 3,000 acres. Public comments are invited concerning both

the scope of the EIS and environmental issues that should be addressed as part of this EIS.

DATES: Comments must be received or postmarked by March 2, 2020.

ADDRESSES: Written comments should be sent to Elizabeth Smith, NEPA Specialist, Tennessee Valley Authority, 400 W Summit Hill Drive #WT11B, Knoxville, Tennessee 37902. Comments may be sent electronically to esmith14@tva.gov.

FOR FURTHER INFORMATION CONTACT: Contact Elizabeth Smith by email at esmith14@tva.gov, by phone at (865) 632-3053, or by mail at the address above.

SUPPLEMENTARY INFORMATION: This notice is provided in accordance with the Council on Environmental Quality's regulations (40 CFR parts 1500 to 1508), TVA's procedures for implementing the National Environmental Policy Act (NEPA), and Section 106 of the National Historic Preservation Act (NHPA) and its implementing regulations (36 CFR part 800).

The proposed North Alabama Utility-Scale Solar facility, hereafter referred to as the project, would occupy two sites: Wheeler North and Wheeler South. The sites together encompass approximately 3,000 acres, and are located entirely in Lawrence County, Alabama. The Wheeler North site is within the city limits of Wheeler, Alabama, and is located approximately 3.6 miles southeast of Courtland, Alabama. The southern edge of the Wheeler North site is paralleled by US Highway 72. The Wheeler North site is mostly cultivated crop fields with portions of forested areas. The Wheeler South site is the larger of the two sites and runs along the eastern portion of State Highway 33 with County Road 85 running west in the southwest portion of the site. The Wheeler South site is located 0.21 miles southwest of Wheeler, Alabama and 2.25 miles southeast of Courtland, Alabama. The Wheeler South site is mostly forested with portions of cultivated crop fields and wooded private residences. Two power line easements run through the Wheeler South site.

Background

TVA is a federal agency and instrumentality of the United States of America, created in 1933 by an act of Congress to foster the social and economic well-being of the residents of the Tennessee Valley region. As part of its diversified energy strategy, TVA produces or obtains electricity from a diverse portfolio of energy sources, including solar, hydroelectric, wind,

²⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁶ 17 CFR 200.30-3(a)(12).