

April 4, 2013

Via Electronic Mail

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
comments@sec.gov

Re: Comment Letter on File No. SR-C2-2013-013

Dear Ms. Murphy:

C2 Options Exchange, Incorporated (the “Exchange” or “C2”) hereby submits this letter in connection with the proposed rule change by the Exchange to modify its rules to address certain option order handling procedures and quoting obligations on the Exchange after the implementation of the market wide equity Plan to Address Extraordinary Market Volatility (the “Plan”).¹ The Exchange wishes to provide greater detail regarding the data and analysis the Exchange will submit to the Securities and Exchange Commission (the “Commission” or “SEC”) in connection with the proposal.

More specifically, at least two months prior to the end of the Pilot Period the Exchange will provide the following assessments relating to the impact of the operation of the obvious error rules during Limit and Straddle States to the Commission² as follows:

1. An evaluation of the statistical and economic impact of Straddle States on liquidity and market quality in the options markets.
2. An assessment of whether the lack of obvious error rules in effect during the Straddle and Limit States are problematic.

Additionally, each month the exchange shall provide to the Commission and the public a dataset (as described below) containing the data for each Straddle and Limit State in optionable stocks. The Exchange will provide this information 30 days after the last calendar day of the month in which the data is analyzed, but the production of the initial dataset may be delayed due to implementation and programming constraints. For each stock that reaches a straddle state, the

¹ See Securities Exchange Act Release No. 69083 (March 8, 2013), 78 FR 16330 (March 14, 2013).

² Confidential treatment under the Freedom of Information Act is requested regarding the report.

number of options included in the dataset can be reduced by selecting options which meet the following conditions:

1. The options are more than 20% in the money (strike price remains $< 80\%$ of last stock trade price for calls and strike price remains $> 120\%$ of last stock trade price for puts when the Straddle or Limit state is reached),
2. Option has at least 2 trades during the Straddle or Limit state,
3. The top 10 options (as ranked by overall contract volume on that day) meeting the conditions above.

For each of those options affected, each data record should contain the following information:

1. Stock symbol, option symbol, time at the start of the straddle or limit state, an indicator for whether it is a straddle or limit state,
2. For activity on the exchange:
 - a. executed volume, time-weighted quoted bid-ask spread, time-weighted average quoted depth at the bid, time-weighted average quoted depth at the offer,
 - b. high execution price, low execution price,
 - c. number of trades for which a request for review for error was received during Straddle and Limit States,
 - d. an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock's Limit or Straddle state compared to the last available option price as reported by OPRA before the start of the Limit or Straddle state (1 if observe 30% and 0 otherwise). Another indicator variable for whether the option price within five minutes of the underlying stock leaving the Limit or Straddle state (or halt if applicable) is 30% away from the price before the start of the Limit or Straddle state.

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C2 appreciates the opportunity to provide these comments. Should you require any further information, please contact Megan R. Malone at (312) 786-7304 or me at (312) 786-7464.

Sincerely,



Angelo Evangelou
Associate General Counsel
C2 Options Exchange, Incorporated

cc: Heather Seidel (SEC)
David Dimitrious (SEC)