

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64390; File No. SR-C2-2011-011)

May 4, 2011

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the C2 Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 29, 2011, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) 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 Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder.<sup>4</sup> 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

C2 proposes to amend its Fees Schedule. The text of the proposed rule change is available on the Exchange’s website (<http://www.c2exchange.com>), at the Exchange’s Office of the Secretary and at the Commission.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

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

C2 proposes to amend its Fee Schedule to revise its transaction fees for all multiply-listed, equity and exchange-traded fund ("ETF") option classes traded on C2. Currently, transactions fees as set out in the Fees Schedule under two categories: (i) transaction fees for option classes C, BAC, XLF, F, and SPY;<sup>5</sup> and (ii) transaction fees for all other multiply-listed, equity and ETF option classes.<sup>6</sup>

The transaction fees will be simplified to have only a single category for all multiply-listed, equity and ETF option classes. Within that category, the transaction fees will be structured as follows: public customers will receive a liquidity making rebate of \$.22 per contract and will pay a liquidity removing taker rate of \$.25 per contract; C2 Market-Makers will receive a liquidity making rebate of \$.25 per contract and will pay a liquidity removing taker rate

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<sup>5</sup> For C, BAC, XLF, F, and SPY, the transaction fees are currently as follows: public customers do not receive a maker rebate and pay a liquidity removing taker rate of \$.25 per contract; C2 Market-Makers receive a liquidity making rebate of \$.25 per contract and pay a liquidity removing taker rate of \$.34 per contract; and all other users receive a liquidity making rebate of \$.10 per contract and pay a liquidity removing taker rate of \$.34 per contract. There are no taker fees or maker credits for trades executed as part of the open for these classes.

<sup>6</sup> For all other multiply-listed, equity and ETF option classes, the transaction fees are currently as follows: public customers do not receive a maker rebate and pay a liquidity removing taker rate of \$.15 per contract; C2 Market-Makers receive a liquidity making rebate of \$.15 per contract and pay a liquidity removing taker rate of \$.25 per contract; and all other users receive a liquidity making rebate of \$.10 per contract and pay a liquidity removing taker rate of \$.40 per contract. There are no taker fees or maker credits for trades executed as part of the open for these classes.

of \$.33 per contract; and all other users will receive a liquidity making rebate of \$.22 per contract and will pay a liquidity removing taker rate of \$.33 per contract. As is currently the case, there will continue to be no maker credits or taker fees for trades executed as part of the open for these classes. Finally, we note that the Exchange is making a non-substantive amendment to reorganize the text of the Fees Schedule (the sequence of the liquidity making rebate and liquidity removing taker rate columns in the Fees Schedule are being flip-flipped). The change will be effective on May 2, 2011.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>8</sup> of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among C2 Trading Permit Holders and other persons using Exchange facilities. The Exchange believes that modifying the C2 transaction fee rates so that the rebate and charge levels are more closely aligned between participant types is consistent with: (i) Section 6(b)(4) of the Act in that it represents an equitable allocation of fees; and (ii) Section 6(b)(5) of the Act in that the modifications are not designed to unfairly discriminate between customers, brokers, or dealers. The Exchange believes that the preferred customer fee is consistent with the long history in the options markets of customers being given preferred fees and that the Market-Maker rebate is reflective of the fact that Market-Makers have affirmative obligations to enhance market quality and can be rewarded for their commitments through advantaged pricing.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

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 purposes of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The proposed rule change is designated by the Exchange as establishing or changing a due, fee, or other charge, thereby qualifying for effectiveness on filing pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and subparagraph (f)(2) of Rule 19b-4<sup>10</sup> thereunder.

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 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

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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2011-011 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2011-011. This file number should be included on the subject line if e-mail 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 such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the

Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-C2-2011-011 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Elizabeth M. Murphy  
Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).