SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65279; File No. SR-C2-2011-020)

September 7, 2011

Self-Regulatory Organizations; C2 Options Exchange, Incorporated: Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to PULSe Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 31, 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[3] and Rule 19b-4(f)(2) thereunder.[4] 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 is proposing to amend its Fees Schedule as it relates to the PULSe workstation. 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

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

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(ii).

4 17 CFR 240.19b-4(f)(2).

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, Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to revise the PULSe Away-Market Routing and Routing Intermediary fees. The Exchange is also proposing to expand on its past description of the away-market routing functionality available for stock orders. In addition, the Exchange is proposing to eliminate the PULSe non-standard services fee. All of these changes, which are described in more detail below, will be effective September 1, 2011.

By way of background, the PULSe workstation is a front-end order entry system designed for use with respect to orders that may be sent to the trading systems of C2. In addition, the PULSe workstation provides a user with the capability to send options orders to other U.S. options exchanges and stock orders to other U.S. stock exchanges ("away market routing").[5] To use the away-market routing functionality, a C2 Trading Permit Holder ("TPH") must either be a PULSe Routing Intermediary or establish a relationship with a third party PULSe Routing Intermediary. A "PULSe Routing

[5] For a more detailed description of the PULSe workstation and its other functionalities, see, e.g., Securities Exchange Act Release No. 63246 (November 4, 2010), 75 FR 69478 (November 12, 2010)(SR-C2-2010-007).

Intermediary" is a C2 TPH that has connectivity to, and is a member of, other options and/or stock exchanges. If a TPH sends an order from the PULSe workstation, the PULSe Routing Intermediary will route that order to the designated market on behalf of the entering TPH.

The first purpose of this proposed rule change is to reduce the PULSe Away-Market Routing fee. Currently the fee is set at $0.05 per executed contract or share equivalent. The Exchange is proposing to reduce the fee to $0.02 per contract or share equivalent.

The second purpose of this proposed rule change is to modify the PULSe Routing Intermediary fee. Currently, the Fees Schedule provides that each PULSe Routing Intermediary is charged a fee of $20 per PULSe workstation per month for each PULSe workstation that is enabled to send orders through the Routing Intermediary. However, the fee is only assessed for those workstations in which the Routing Intermediary is acting as a third-party routing intermediary for another TPH (i.e., the fee is not assessed on those workstations where the Routing Intermediary is acting as a routing intermediary on its own behalf). This fee has been waived through September 30, 2011. The Exchange is proposing to amend the fee to instead provide that a Routing Intermediary will be charged a fee for utilizing the PULSe away-market routing technology of $0.02 per executed contract or share equivalent for the first 1 million contracts or share equivalent executed in a given month and $0.03 per contract or share equivalent for each additional contract or share equivalent executed in the same month. The Exchange intends to assess this fee to Routing Intermediaries whether the Routing Intermediary is routing orders on behalf of itself as a TPH or as a third party Routing Intermediary for other TPHs. The Exchange notes that the Routing Intermediary fee will not be applicable for routes to the Chicago Board Options Exchange, Incorporated ("CBOE") or the CBOE Stock Exchange, LLC ("CBSX") to the extent that the C2 TPH submitting the order to CBOE or CBSX is also a CBOE TPH or CBSX TPH, as applicable.[6]

The revised PULSe Routing Intermediary fee will allow for the recoupment of the costs of developing, maintaining, and supporting the PULSe workstation and related Routing Intermediary functionality and for income from the value-added services being provided through use of the PULSe workstation and related away-market routing technology. The Exchange believes the fee structure represents an equitable allocation of reasonable fees in that the same fees are applicable to all Routing Intermediaries that provide away-market routing for TPHs via the PULSe workstation. In addition, the Exchange believes that the $0.02/$0.03 Routing Intermediary fee is reasonable and appropriate in light of the fact that it is small in relation to the total costs typically incurred in routing and executing orders. The Exchange also notes that use of the PULSe

6 The PULSe workstation offers the ability to route orders to any market, including C2 affiliates CBOE and CBSX. To the extent a C2 TPH that is also a CBOE/CBSX TPH obtains a PULSe workstation through C2, it is not necessary for that TPH to obtain a separate PULSe workstation through CBOE or CBSX to route orders to CBOE or CBSX, as applicable. See SR-C2-2010-007, note 5, supra. It is also not necessary for that TPH to utilize the services of a Routing Intermediary to route orders to CBOE or CBSX, as applicable. As such, to the extent a C2 TPH is also a CBOE TPH or CBSX TPH, a Routing Intermediary fee would not be applicable because the fee is only applicable for away-market routing through a Routing Intermediary. The TPH would not be routing away through a Routing Intermediary, but instead would be submitting orders directly to C2 as a C2 TPH, CBOE as a CBOE TPH or CBSX as a CBSX TPH, as applicable, where the TPH's activity would be subject to the transaction fee schedule of C2, CBOE or CBSX, respectively. To the extent a C2 TPH is not a CBOE TPH or CBSX TPH and utilizes the services of a third party Routing Intermediary to route orders to CBOE or CBSX, as applicable, the Routing Intermediary would be subject to the fee for the C2 TPH's executions on CBOE or CBSX, as applicable.

workstation, and the Routing Intermediary functionality and the away-market routing technology available through the PULSe workstation, are not compulsory. In addition, the decision to function as a Routing Intermediary for PULSe purposes is discretionary, and a TPH may choose to route orders for itself or others without using the PULSe workstation. The services are offered as a convenience and are not the exclusive means available to send or route orders to C2 or intermarket.

The third purpose of this proposed rule change is to expand on our prior description of the away-market routing functionality available for stock orders. In particular, as noted above, the Exchange has previously indicated that the PULSe workstation provides a user with the capability to send stock orders to other U.S. stock exchanges through a PULSe Routing Intermediary.[7] The Exchange also notes that it may determine that the PULSe workstation would provide a user with the capability to send stock orders to other trading centers,[8] not just U.S. stock exchanges, through a Routing Intermediary.

Finally, the fourth purpose of this proposed rule change is to eliminate the fee for non-standard services, which is currently $350 per hour plus costs. Non-standard services may include time and materials for non-standard installations or modifications to PULSe to accommodate a TPH's use of PULSe with other technologies. The Exchange is proposing to eliminate the fee at this time because, given that PULSe workstation is a relatively new technology that is being fine-tuned and enhanced based on our experience

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[7] See note 5, supra, and surrounding discussion.

[8] A "trading center," as provided under Rule 600(b)(78) of Regulation NMS, 17 CFR 242.600(b)(78), means a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.

with and feedback from TPHs, we find it difficult to assess which services should be considered "non-standard" at this point in time. (The fee was first implemented in November 2010.[9] To date, the Exchange has not identified an instance where the fee was applicable to any service considered to be non-standard and has not collected any fees under this provision.) The Exchange may determine to reintroduce a non-standard services fee in the future through another rule change filing once we gain more experience with the PULSe workstation.

2 Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,[10] in general, and furthers the objectives of Section 6(b)(4) of the Act,[11] in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among TPHs in that the same fees and fee waivers are applicable to all TPHs and Routing Intermediaries that utilize the PULSe workstation, Routing Intermediary functionality and the away-market routing services.

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.

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[9] See SR-C2-2010-007, note 5, supra.

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(4).

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[12] and subparagraph (f)(2) of Rule 19b-4[13] 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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12 15 U.S.C. 78s(b)(3)(A)(ii).

13 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2011-020 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-C2-2011-020. 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 also will 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 Number SR-C2-2011-020 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Elizabeth M. Murphy
Secretary

[14] 17 CFR 200.30-3(a)(12).