

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69130; File No. SR-C2-2013-012)

March 13, 2013

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

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 March 1, 2013, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “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 its Fees Schedule. The text of the proposed rule change is available on the Exchange’s website (<http://www.c2exchange.com/Legal/>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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.

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

1. Purpose

The Exchange proposes to amend its transaction fees for simple, non-complex orders in equity options classes to state that C2 Market-Makers will not be assessed a fee for Maker trades with any non-Public Customer market participants. This means that when a C2 Market-Maker is the Maker in a transaction, the C2 Market-Maker will not be assessed a fee unless the Taker in the transaction is a Public Customer. The purpose of the proposed change is to incentivize C2 Market-Makers to quote more aggressively.

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,⁴ which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities. The Exchange believes that proposed change is reasonable because it will allow C2 Market-Makers to avoid paying a transaction fee for transactions for which they previously paid a transaction fee.

The Exchange believes that providing this Maker fee exemption to C2 Market-Makers and not to other market participants is equitable and not unfairly discriminatory because C2 Market-Makers take on a number of obligations, including quoting obligations and the need to purchase permits, that some other market participants do not have. Further, offering a fee exemption for C2 Market-Makers (and only C2 Market-Maker Makers), who are the market

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4).

participants that do the vast majority of quoting, incentivizes more and narrower quoting, thereby encouraging liquidity provision, which is vital to the marketplace and benefits all market participants. The Exchange believes that assessing Maker fees for C2 Market-Makers who trade with Public Customers while not assessing Maker fees for C2 Market-Makers who trade with other market participants is equitable and not unfairly discriminatory because the Exchange already pays a rebate for Public Customer Taker transactions, and thus if the Exchange were to also not collect a fee from the C2 Market-Maker in such transactions, it would result in the Exchange paying for such transactions without collecting any revenue (a net negative), which would not be economically prudent. Further, market participants (including C2 Market-Makers) generally prefer to execute their orders against Public Customer orders, and therefore it is justifiable for them to be still be assessed a fee for such preferable executions.

B. Self-Regulatory Organization's Statement on Burden on Competition

C2 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. The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intramarket competition because, while it will provide C2 Market-Makers with a fee exemption that other market participants do not receive, this change is intended to incentivize C2 Market-Makers, who are the market participants that do the vast majority of quoting, to provide more and narrower quoting, thereby encouraging liquidity provision, which is vital to the marketplace and benefits all market participants. Further, C2 Market-Makers take on a number of obligations, including quoting obligations and the need to purchase permits, that some other market participants do not have. The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intermarket competition because it is designed to encourage more and narrower quoting, which

would make C2 a more attractive trading venue for Market-Makers as well as other market participants on other exchanges who could benefit from C2's improved quotes. As such, to the extent that the proposed change may make C2 a more attractive trading venue for market participants on other exchanges, such market participants can always elect to become C2 market participants.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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) of the Act⁵ and paragraph (f) of Rule 19b-4⁶ 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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change 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

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 C.F.R. 240.19b-4(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2013-012 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-C2-2013-012. 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 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; 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-C2-2013-012 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.⁷

Kevin M. O'Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).