

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71773; File No. SR- C2-2014-005)

March 24, 2014

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Certain C2 Real-Time Data Feeds and a New Book Depth Data Feed

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 11, 2014, 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 and II 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

C2 Options Exchange, Incorporated (the “Exchange” or “C2”) proposes to (i) update the description of the data included in certain C2 real-time data feeds and (ii) offer a book depth data feed for C2 listed options. The text of the proposed rule change is available on the Exchange’s website (<http://www.C2.com/AboutC2/C2LegalRegulatoryHome.aspx>), 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The purpose of the proposed rule change is to (i) update the description of the data included in the C2 BBO Data Feed and Complex Order Book (“COB”) Data Feed, and (ii) offer a book depth data feed for C2 listed options.

BBO and COB Data Feeds

The BBO Data Feed is a real-time, low latency data feed that includes C2 “BBO data” and last sale data.³ The BBO and last sale data contained in the BBO Data Feed is identical to the data that C2 sends to the Options Price Reporting Authority (“OPRA”) for redistribution to the public.⁴ The BBO Data Feed is made available by C2’s affiliate Market Data Express, LLC (“MDX”).

The BBO Data Feed also includes certain data that is not included in the data sent to OPRA, namely, (i) totals of customer versus non-customer contracts at the BBO, (ii) All-or-None contingency orders priced better than or equal to the BBO, (iii) BBO data and last sale data for complex strategies (e.g., spreads, straddles, buy-writes, etc.), and (iv) expected opening price

³ The BBO Data Feed includes the “best bid and offer,” or “BBO”, consisting of all outstanding quotes and standing orders at the best available price level on each side of the market, with aggregate size (“BBO data,” sometimes referred to as “top-of-book data”). Data with respect to executed trades is referred to as “last sale” data. See Securities Exchange Act Release No. 69400 (April 18, 2013), 78 FR 24285 (April 24, 2013).

⁴ The Exchange notes that MDX makes available to Customers the BBO data and last sale data that is included in the BBO Data Feed no earlier than the time at which the Exchange sends that data to OPRA. A “Customer” is any entity that receives the BBO Data Feed, either directly from MDX’s system or through a connection to MDX provided by an approved redistributor (i.e., a market data vendor or an extranet service provider) and then distributes it externally or uses it internally.

(“EOP”) and expected opening size (“EOS”) information that is disseminated prior to the opening of the market and during trading rotations (collectively, “EOP/EOS data”).

The COB Data Feed is a real-time data feed that includes data regarding the Exchange’s Complex Order Book and related complex order information. The COB Data Feed includes BBO quotes and identifying information for all C2-traded complex order strategies, as well as all executed C2 complex order trades (and identifies whether the trade was a customer trade or whether a complex order in the COB is a customer order).⁵ The COB Data Feed is made available by MDX and is a subset of the BBO Data Feed.

The Exchange, through MDX, plans to make additional data available in the BBO and COB Data Feeds and therefore proposes to update the description of the data included in the feeds. Specifically, the Exchange proposes to add end-of-day (“EOD”) summary messages and recap messages to the feeds. EOD summary messages are messages that will be disseminated after the close of a trading session that will include summary information about trading in C2 listed options. Such information includes product name, opening price, high and low price during the trading session and last sale price. Recap messages are messages that will be disseminated during a trading session any time there is a change in the open, high, low or last sale price of a C2 listed option. In addition to open, high, low and last sale prices, such messages will also include product name and total volume traded in the product during the trading session.

At this time, the Exchange does not intend to amend the fees for the BBO and COB Data Feeds.

Book Depth Data Feed

⁵ See Securities Exchange Act Release No. 70119 (August 5, 2013), 78 FR 48750 (August 9, 2013).

The Exchange proposes to make available, through MDX, a real-time, low latency data feed that includes all outstanding quotes and standing orders up to the first five price levels on each side of the market, with aggregate size (“Book Depth Data Feed”).⁶ The Book Depth Data Feed will also include all of the other data contained in the BBO Data Feed (as described above), including last sale data and BBO and book depth data for complex strategies.⁷ The data in the Book Depth Data Feed would be refreshed periodically during the trading session.

The Exchange will file a separate proposed rule change to establish the fees to be charged by MDX for the Book Depth Data Feed.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change

⁶ The Exchange notes that MDX will make available the BBO and last sale data that is included in the Book Depth Data Feed no earlier than the time at which the Exchange sends that data to OPRA.

⁷ With the introduction of the Book Depth Data Feed, the COB Data Feed would also be enhanced to include book depth data for complex strategies.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

is consistent with the Section 6(b)(5)¹⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers because the enhanced BBO and COB Data Feeds and the Book Depth Data Feed would be made available by MDX to any market participant that wishes to subscribe to any of the feeds.

In adopting Regulation NMS, the Commission granted self-regulatory organizations and broker-dealers increased authority and flexibility to offer new and unique market data to the public. It was believed that this authority would expand the amount of data available to consumers, and also spur innovation and competition for the provision of market data. The Exchange believes that this proposal is in keeping with those principles by promoting increased transparency through the dissemination of useful data and also by clarifying its availability to market participants. The Exchange believes that updating the description of the BBO and COB Data Feeds will benefit users by making clearer what data is included in each feed. The Exchange believes offering the Book Depth Data Feed will increase transparency, help attract order flow and provide investors with additional information that may help to inform their trading decisions.

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 proposal to update the description of the BBO and COB Data Feeds is intended not to address any competitive issue but rather to reflect the data that is included in the feeds. The Exchange notes other exchanges offer depth of market products similar to the Book Depth Data Feed. For example, BATS offers Multicast PITCH, which is their depth of market and last sale feed similar

¹⁰

Id.

to the Book Depth Data Feed. The International Securities Exchange offers a data feed that shows the top five price levels entitled Depth of Market. NASDAQ OMX PHLX offers a Depth of Market data feed that includes full depth of quotes and orders and last sale data for options listed on PHLX. NASDAQ Options Market offers a product entitled “NASDAQ ITCH-to-Trade Options” (ITTO) that is similar to the Book Depth Data Feed. NYSE offers market data products entitled “NYSE ArcaBook for Amex Options” and “NYSE ArcaBook for Arca Options” that include top-of-book, last sale and depth of quote data. In addition, the OPRA data feed is a significant competitive alternative to both the BBO Data Feed and the Book Depth Data Feed. The Exchange believes the enhanced BBO and COB Data Feeds and the Book Depth Data Feed will help to attract new users and new order flow to the Exchange, thereby improving the Exchange’s ability to compete in the market for options order flow and executions.

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6)¹² thereunder.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange has stated that it does not intend to amend the fees for the BBO and COB Data Feeds, and that the proposed Book Depth Data Feed mostly includes data already made available by the Exchange through the BBO Data Feed. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, because such waiver will enable market participants to receive more market data via the Exchange's new and existing data feeds at no charge. For this reason, the Commission hereby waives the 30-day operative delay requirement and designates the proposed rule change to be operative upon filing.¹³

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

¹³ For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR- C2-2014-005 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- C2-2014-005. 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 offices 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- C2-2014-005, 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

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).