

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73306; File No. SR-C2-2014-025)

October 6, 2014

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 September 30, 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, 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 the 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 Fees Schedule.³ Specifically, the Exchange proposes to increase the Linkage Routing fee from \$0.50 per contract to \$0.65 per contract in addition to the applicable C2 taker fee. The Linkage Routing fee is assessed to all orders routed pursuant to the Options Order Protection and Locked/Crossed Market Plan, excluding Public Customer orders in equity option classes. The purpose of the proposed change is to cover increased costs associated with routing orders through Linkage and paying the transaction fees for such executions at other exchanges.

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.⁴ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,⁵ 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.

In particular, the Exchange's proposal to increase the Linkage Routing fee from \$0.50 per contract to \$0.65 per contract is reasonable because such increase will help offset the costs associated with routing orders through Linkage and paying the transaction fees for such

³ C2 initially filed the proposed fee change on September 2, 2014 (SR-C2-2014-021). On September 10, 2014, C2 withdrew that filing and submitted filing SR-C2-2014-022. On September 18, 2014, C2 withdrew SR-C2-2014-022 and submitted SR-C2-2014-023. On September 30, 2014, C2 withdrew SR-C2-2014-023 and submitted this filing.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4).

executions at other exchanges. Additionally, the Exchange notes that if a non-customer market participant wishes to avoid the Linkage fee, it may choose to specify that C2 not route orders away on its behalf or designate the order as Immediate or Cancel, which would prevent the order from linking [sic] away to another Exchange [sic]. Moreover, a non-customer market participant may route directly to exchanges posting the best market if desired to avoid Linkage routing fees.

The Exchange next notes that this fee amount will be assessed to all orders routed via Linkage (excluding Public Customer orders in equity options classes). The Exchange believes that this proposed change is equitable and not unfairly discriminatory because non-customer (e.g., broker-dealer proprietary) orders originate from broker-dealers who are by and large more sophisticated than public customers and can readily control the exchange to which their orders are routed. While there may be some sophisticated customers who are capable of directing the exchange to which their orders are routed, generally, retail customers submit orders to their brokerages but do not or cannot specify the exchange to which a customer order is sent. Therefore, non-customer order flow can, in most cases, more easily route directly to other markets if desired and thus avoid Linkage routing fees. Therefore, it is equitable to assess a reasonable fee to cover the costs incurred for processing non-customer Linkage orders while continuing to exempt such Public Customer orders.

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. In particular, the increase to the Linkage Routing Fee will apply equally to all non-customers. Additionally, although different linkage fees are assessed to different market participants (i.e., non-customers vs public customers), as described above, non-customer order flow can, in most cases, more

easily route directly to other markets if desired and thus avoid Linkage fees. Therefore, it is equitable to assess a reasonable fee to cover the costs incurred for processing non-customer Linkage orders while continuing to exempt such public customer orders. The Exchange believes that the proposal to increase the linkage fee amount assessed to non-customers will not cause an unnecessary burden on intermarket competition because although the total fee amount assessed to an order routed via Linkage (i.e., the Linkage Routing fee and applicable C2 taker fee) may not always be lower than assessed at other exchanges, non-customer market participants may, as noted above, choose to specify that C2 not route orders away on its [sic] behalf, designate the order as Immediate or Cancel, or route directly to exchanges posting the best market to avoid Linkage routing fees. To the extent that the proposed changes make C2 a more attractive marketplace for market participants at other exchanges, such market participants are welcome 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 Act⁶ and paragraph (f) of Rule 19b-4⁷ 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

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f).

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2014-025 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-C2-2014-025. 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-C2-2014-025, 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.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).