

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74733; File No. SR-C2-2015-007)

April 15, 2015

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 April 10, 2015, 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 Fees Schedule.³ Specifically, the Exchange proposes to amend its fees for the Russell 2000 Index (“RUT”). As of April 1, 2015, RUT is listed exclusively on C2 and Chicago Board Options Exchange, Incorporated (“CBOE”). As such, the Exchange proposes to make conforming changes to its Fees Schedule.

Currently the Exchange assesses different fees and rebates for simple and complex RUT orders. Specifically, for simple, non-complex RUT orders, the Exchange assesses the following per-contract fees structure (rebates in parentheses):

	Maker	Taker Fee
Public Customer	(\$.75)*	\$.80
C2 Market-Maker	\$.00	\$.80
All Other Origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.)	\$.50	\$.80
Trades on the Open	\$.00	\$.00

For complex orders in RUT, the Exchange currently assesses the following per-contract fees structure (rebates in parentheses):

Maker Fee/ (Rebate)	Taker Fee/(Rebate)
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³ C2 initially filed the proposed fee change on March 31, 2015 (SR-C2-2015-004). On April 10, 2015, C2 withdrew that filing and submitted this filing.

Public Customer	(\$.75)*	(\$.75)*
C2 Market-Maker	\$.85	\$.85
All Other Origins	\$.85	\$.85
(Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.)		
Trades on the Open	\$.00	\$.00

The Exchange notes that for both simple and complex RUT orders, rebates do not apply to orders that trade with Public Customer complex orders. In such circumstances, there is no fee or rebate. In light of the new licensing arrangement for RUT, the Exchange seeks to amend its RUT fees structure. Specifically, the Exchange seeks to eliminate the Maker-Taker fee structure for RUT and instead adopt standard transaction fees. The Exchange also proposes to eliminate the Public Customer rebates for RUT, as well as change the current fee amounts assessed. The Exchange notes that Trades on the Open will continue to not be assessed a fee or rebate. For both simple and non-complex RUT orders, the Exchange proposes to assess the following per-contract fees:

RUT

Public Customer	\$.15
C2 Market-Maker	\$.35
All Other Origins	\$.55
(Professional Customer, Firm, Broker/Dealer, non-C2	

Market-Maker, JBO, etc.)

Trades on the Open \$.00

Additionally, the Exchange notes that it currently assesses an Index License Surcharge for RUT (“RUT Surcharge”) of \$0.30 per contract for all non-Public Customer orders. The Exchange now proposes to increase the RUT Surcharge from \$0.30 to 0.45 per contract in order to recoup the increased costs associated with the RUT license. The Exchange will still be subsidizing the costs of the RUT license.

Finally, the Exchange proposes to delete sections (B) and (D) from Section 1 of the Fees Schedule. The Exchange notes that as of January 2015, the fees for simple, non-complex orders in equities, multiply-listed index, ETF, and ETN options classes are the same and the fees for complex orders in equities, multiply-listed index, ETF, and ETN options classes are the same (i.e., there is no longer a distinction between fees and rebates for equities options class and multiply-listed index, ETF, and ETN options classes). As such, the Exchange proposes to consolidate its Fees Schedule and add “equities” to Section 1A and the current Section 1C (which will now be renumbered as “B”). The Exchange believes the proposed rule change will make the Fees Schedule easier to read and alleviate potential confusion. The Exchange notes that no substantive changes are being made by this change.

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

⁴ 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵ 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 is consistent with Section 6(b)(4) of the Act,⁶ 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 it is reasonable to charge different fee amounts to different user types in the manner proposed because the proposed fees are consistent with the price differentiation that exists today at other options exchanges (for example, the proposed fees are comparable with fees for other index option products, traded on CBOE -including RUT⁷). Additionally, while the Exchange notes that the fee structure for RUT is changing from a Maker-Taker structure to a standard transaction fees structure, the Exchange believes the proposed fee amounts for RUT orders are reasonable because the proposed fee amounts are within the range of standard transaction fee amounts charged for RUT at another exchange (i.e., CBOE).⁸

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78f(b)(4).

⁷ See CBOE Fees Schedule, Specified Proprietary Index Options Rate Table.

⁸ See CBOE Fees Schedule, Specified Proprietary Index Options Rate Table, which shows that standard transaction fees for RUT orders range from \$0.18 per contract to \$0.65 per contract.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to eliminate the rebates for Public Customers for RUT transactions because the Exchange devotes a lot of resources to developing and maintain an exclusively-listed product and therefore does not desire to offer a rebate associated with exclusively-listed products. The Exchange notes that this proposed change will apply to all Public Customers for all RUT transactions. The Exchange also believes that it is equitable and not unfairly discriminatory to assess lower fees to Public Customers as compared to other market participants because Public Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Public Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the options industry has a long history of providing preferential pricing to Public Customers, and the Exchange's current Fees Schedule currently does so in many places, as do the fees structures of many other exchanges. Finally, all fee amounts listed as applying to Public Customers will be applied equally to all Public Customers (meaning that all Public Customers will be assessed the same amount).

The Exchange believes that it is equitable and not unfairly discriminatory to, assess lower fees to Market-Makers as compared to other market participants other than Public Customers because Market-Makers, unlike other market participants, take on a number of obligations, including quoting obligations, that other market participants do not have. Further, these lower fees offered to Market-Makers are intended to incent Market-Makers to quote and trade more on C2, thereby providing more trading opportunities for all market participants. Finally, all fee amounts listed as applying to Market-Makers will be applied equally to all Market-Makers (meaning that all

Market-Makers will be assessed the same amount). Similarly, the Exchange notes that the RUT fee amounts for each separate type of other market participants will be assessed equally to all such market participants (i.e. all Broker-Dealer orders will be assessed the same amount, all Joint Back-Office orders will be assessed the same amount, etc.).

The Exchange believes increasing the RUT Surcharge is reasonable because the Exchange still pays more for the RUT license than the amount of the proposed RUT Surcharge (meaning that the Exchange is, and will still be, subsidizing the costs of the RUT license). This increase is equitable and not unfairly discriminatory because the increased amount will be assessed to all market participants to whom the RUT Surcharge applies. Not applying the RUT Index License Surcharge Fee to Public Customer orders is equitable and not unfairly discriminatory because this is designed to attract Public Customer RUT orders, which increases liquidity and provides greater trading opportunities to all market participants.

The Exchange believes that the proposed new fee structure for simple and complex RUT options is equitable and not unfairly discriminatory because the structure and fee amounts are identical for both simple and complex RUT orders.

Finally, the Exchange believes that eliminating sections B and D of Section 1 of the Fees Schedule and consolidating it with current sections A and C, respectively, maintains clarity in the Fees Schedule and promotes just and equitable principles of trade by eliminating potential confusion and removing impediments to and perfecting the mechanism of a free and open market and a national market system.

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

C2 does not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket

competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different fees are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances as discussed above. For example, Market-Makers have quoting obligations that other market participants do not have. Further, the proposed fees structure for RUT is intended to encourage more trading of RUT, which brings liquidity to the Exchange and benefits all market participants.

The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because RUT will now be exclusively listed on C2 (and CBOE). 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 Act⁹ and paragraph (f) of Rule 19b-4¹⁰ 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

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 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-C2-2015-007 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2015-007. 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, D.C. 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-C2-2015-007 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.¹¹

Brent J. Fields
Secretary

¹¹ 17 CFR 200.30-3(a)(12).