

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74888; File No. SR-C2-2015-011)

May 6, 2015

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Effectiveness of a Permit Holder

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 May 5, 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 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

The Exchange proposes to adopt a rule relating to the effectiveness of a Permit Holder. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt a rule governing the effectiveness of Permit Holder status. In particular, the Exchange proposes to add language to its rules to codify the requirement that each applicant, to be a Permit Holder, must become effective in that status within 90 days of the date of the applicant’s approval. The Exchange also proposes to clarify that a Permit Holder shall become effective upon (i) satisfying applicable requirements to obtain a Trading Permit and (ii) the release of a Trading Permit to that Permit Holder by the Registration Services Department (“RSD”).

By way of background, pursuant to C2 Rule 3.1 (Trading Permits), if an applicant to become a C2 Permit Holder is already a Trading Permit Holder of the Chicago Board Options Exchange, Incorporated (“CBOE TPH”), that applicant can take advantage of a streamlined process to become a Permit Holder on C2 as compared to an applicant that is not already a CBOE TPH. Specifically, a CBOE TPH applicant would need to submit certain Exchange forms which indicate its intention to trade on the Exchange and which submits it to Exchange jurisdiction, as well as complete other operational matters as determined by the Exchange (e.g., complete connectivity testing).³ If an applicant is not already a CBOE Trading Permit Holder (a “Non-CBOE TPH”), the applicant must complete a more involved application process which includes, among other things, the submission of an application to the Exchange and payment of any applicable application

³ See C2 Rule 3.1(c)(1).

fees.⁴ Additionally, the Exchange will investigate each Non-CBOE TPH applicant (with the exception of any applicant that was a Permit Holder or that was investigated by the Exchange within 9 months prior to the date of receipt of that applicant's application). Upon completion of the application process for either a CBOE TPH or Non-CBOE TPH applicant, RSD determines whether to approve or disapprove the application. The Exchange notes however, that even if RSD determines to approve a CBOE or Non-CBOE TPH applicant to become a C2 Permit Holder upon completion of this process, that applicant is not automatically considered an "effective" Permit Holder (i.e., the applicant is not yet permitted to participate on the Exchange in the capacity in which they applied and have been approved to act in). Rather, in order to be considered an effective Permit Holder, the applicant must satisfy applicable requirements to obtain a Trading Permit (i.e., submission of all required forms, fees and documentation prescribed by the Exchange, completion of any required investigation, satisfaction of applicable orientation and/or exam requirements established by the Exchange and any other registration and qualification requirements and completion of connectivity testing) and (ii) RSD must release a Trading Permit to that Permit Holder. In order to provide further transparency in the rules, the Exchange proposes to codify these requirements in the rules and make it explicitly clear that any applicant to become a C2 Permit Holder shall become an effective Permit Holder upon (i) satisfying the applicable requirements to obtain a Trading Permit and (ii) the release of a Trading Permit to that Permit Holder by RSD (i.e., RSD assigns via its Trading Permit System ("TPS") a permit number to the

⁴ See C2 Rule 3.1(c)(2).

applicant Permit Holder). The Exchange believes the proposed rule change will provide additional clarity to the rules and reduce confusion regarding the application process.

The Exchange next notes that there are instances in which an applicant (either a CBOE TPH or Non-CBOE TPH) has completed the application process and RSD is ready to approve the application, but the applicant needs more time before it is ready to become effective (i.e., before it is ready to participate on the Exchange in the capacity in which they applied and have been approved to act in). For example, an applicant may have completed the application process but requires more time to resolve logistical issues relating to their systems or connectivity before it can participate on the Exchange and therefore wishes to hold off on requesting a Trading Permit. As such, the Exchange proposes to permit a Permit Holder to become effective as a Permit Holder within 90 days from the date RSD approved the applicant to become a C2 Permit Holder. If the Permit Holder does not become effective within 90 days, the applicant's application will expire. The Exchange notes that providing a deadline to become effective also obligates applicants to be diligent in resolving any open issues they have and ensures finality to the application process. Lastly, the Exchange notes that the requirement to go effective within 90 days of the date of approval of an application exists on other exchanges as well.⁵

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

⁵ See, CBOE Rule 3.10 and ISE Rule 306(g).

the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁷ 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 the Section 6(b)(5)⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes it would be beneficial to market participants to expressly state in the rules that any applicant to become a C2 Permit Holder shall become an effective Permit Holder upon (i) satisfying the applicable requirements to obtain a Trading Permit and (ii) the release of a Trading Permit to that Permit Holder by RSD. The Exchange believes the proposed rule change will provide additional clarity to the rules and reduce confusion regarding the application process, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system. The Exchange also believes the proposed rule change is beneficial in that it provides applicants seeking to become a Permit Holder a reasonable time frame to resolve any open issues prior to becoming effective, while also requiring applicants to be

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ Id.

diligent in resolving such open issues in a timely matter and ensuring finality to the application process. Additionally, the Exchange believes that the proposed rule changes are designed to not permit unfair discrimination among market participants, as the proposed changes are applicable to all applicants to become Permit Holders.

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 proposed change does not impose any burden on intramarket competition because it applies to all applicants to become C2 Permit Holders. The Exchange also does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Specifically, the Exchange is merely attempting to add additional transparency to its rules relating to the application process as well as provide for a reasonable time frame for C2 Permit Holder applicants to become effective on C2 as Permit Holders. The Exchange notes that, to the extent that the proposed changes make C2 more attractive for trading, market participants trading on other exchanges are welcome to become Permit Holders and trade at C2 if they determine that this proposed rule change has made C2 more attractive or favorable.

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: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) 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 Act⁹ and Rule 19b-4(f)(6)¹⁰ 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

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2015-011 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-C2-2015-011. 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 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-C2-2015-011, 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

Robert W. Errett
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).