

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67848; File No. SR-C2-2012-032)

September 13, 2012

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt a Rule Regarding Mandatory Trading Permit Holder Education and Corresponding Set of Fines

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 4, 2012, 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 proposes to adopt a rule requiring Trading Permit Holder (“TPH”) education and corresponding fine structure. The text of the proposed rule change is available on the Exchange’s website (<http://www.c2exchange.com/Legal/>), at the Commission’s website (<http://www.sec.gov>), 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt proposed Rule 6.46 stating that TPHs and persons associated with TPHs (“Associated Persons”) are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange-mandated continuing educational classes may subject TPHs and Associated Persons to sanctions pursuant to the Exchange's Minor Rule Violation Plan provided in Exchange Rule 17.50. The Exchange believes that it is important and necessary from time to time to require mandatory participation in certain educational training classes by its TPHs and Associated Persons for a variety of reasons, including to explain the operation of new technology and new rules, procedures and policies regarding trading on the Exchange. The text of the proposed Rule 6.46 is identical to that of Chicago Board Options Exchange, Incorporated (“CBOE”) Rule 6.20(e) (with the exclusion of a sentence in CBOE Rule 6.20(e) regarding Floor Officials, which is inapplicable to C2, as C2 is an all-electronic exchange that does not have a trading floor).³

To correspond with the adoption of proposed Rule 6.46, the Exchange also proposes to amend its Rule 17.50 – Imposition of Fines for Minor Rule Violations. CBOE Chapter 17 – Discipline (which includes Rule 17.50 – Imposition of Fines for Minor Rule Violations) is incorporated into the C2 rules by reference as C2 Chapter 17.⁴ CBOE Rule 17.50(g)(6) - Violations of Trading Conduct and Decorum Policies - imposes fines for violations of trading

³ See CBOE Rule 6.20(e).

⁴ See Securities Exchange Act Release No. 62323 (June 17, 2010), 75 FR 36144 (June 24, 2012) (SR-C2-2010-002).

conduct and decorum policies. Because C2 (an all-electronic exchange) does not have a trading floor, the majority of the violations for which fines can be imposed under CBOE Rule 17.50(g)(6) (such as not complying with the trading floor dress code, bringing impermissible food or drink onto the trading floor, and running on the trading floor) could not take place on C2. However, there is one exception: CBOE Rule 17.50(g)(6) allows for the imposition of fines for the failure to attend CBOE-mandated educational training.⁵ Therefore, instead of simply stating that, with respect to applicability to C2 only, CBOE Rule 17.50(g)(6) shall not apply to C2, the Exchange instead proposes to state that, notwithstanding the remainder of C2 Chapter 17, with respect to its applicability to C2 only, CBOE Rule 17.50(g)(6) - Violations of Trading Conduct and Decorum Policies - will be replaced in its entirety with the following: A fine may be imposed upon a Trading Permit Holder or persons associated with Trading Permit Holders in accordance with the fine schedule set forth below for failure to attend Exchange-mandated educational training (per Rule 6.46).

Number of Offenses in Any Rolling Twenty-

<u>Four Month Period</u>	<u>Fine Amount</u>
1st Offense	\$1,000
2nd Offense	\$2,500
Subsequent Offenses	\$5,000

In making this change, C2 cleans up its rules and establishes that the aspects of CBOE Rule 17.50(g)(6) that are not relevant to C2 (due to C2's status as an all-electronic exchange without a trading floor) do not apply to C2 while still retaining the ability to levy fines for failure to attend C2-mandated educational training (per the proposed Rule 6.46). The amounts of the

⁵ See CBOE Regulatory Circular RG09-92 (August 28, 2009).

proposed fines are identical to those that can be currently assessed on CBOE for a failure to attend CBOE-mandated educational training.⁶

2. Statutory Basis

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. Establishing both a rule requiring TPHs and Associated Persons to attend such educational classes as the Exchange may require from time to time and a corresponding guideline for fines for the failure to attend such educational classes helps ensure that TPHs and Associated Persons are educated and knowledgeable as necessary regarding relevant technologies, rules, procedures and policies. This removes impediments to and to perfects the mechanism for a free and open market and a national market system, and, in general, protects investors and the public interest.

By removing inapplicable sections violations within Rule 17.50(g)(6) that relate to floor trading, the Exchange eliminates confusion that could arise from reading Exchange rules and circulars, thereby removing impediments to and perfecting the mechanism for a free and open market.

⁶ See CBOE Regulatory Circular RG09-92 (August 28, 2009).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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.

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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 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.

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:

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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. The Exchange has satisfied this requirement.

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 No. SR-C2-2012-032 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 No. SR-C2-2012-032. 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 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 C2. 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 No. SR-C2-2012-032 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

Kevin M. O'Neill
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).