

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76788; File No. SR-C2-2015-036)

December 29, 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 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 16, 2015, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (“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, effective December 16, 2015³.

Currently, in all equity, multiply-listed index (excluding RUT), ETF and ETN options, if a quote is updated such that it executes against a resting complex order or if a simple, non-complex order ("simple order") is submitted such that it executes against a resting complex order, that order or quote is treated as a "Taker" and assessed the Taker fees listed in Section 1A of the C2 Fees Schedule. The remaining leg(s) are treated as "Makers" and assessed the rebates listed in Section 1A of the Fees Schedule, and the complex order is also treated as "Maker" and assessed the fees (or rebates) listed in Section 1B of the Fees Schedule. By way of background, when a market participant submits an order, they likely do not know whether it will trade with a simple or complex order. As the simple order book displays the market for all resting orders and quotes, a market participant would readily know however, whether their simple order or quote would make a resting simple order in that series on the opposite side marketable and execute (thereby being a "Taker"). Conversely, the market participant would likely not know whether their simple order or quote would make a resting complex order with a leg in that series marketable (thereby being a "Taker"). More specifically, while the Complex Order Book ("COB") displays the market of resting complex orders along with the legs that comprise a complex order, market participants cannot as easily and readily discern whether an incoming simple order or quote will trigger a resting complex order execution. Rather, in order to determine whether such an execution would occur, a market participant would have to simultaneously compare both the

³ The Exchange initially filed the proposed fee change on December 3, 2015 (SR-C2-2015-035). On December 16, 2015, the Exchange withdrew that filing and submitted this filing.

COB and simple order book and analyze the various markets on the different legs in the simple order book to determine whether or not their simple order or quote would make a resting complex order marketable (and therefore execute). As many market participants cannot easily make this determination upon submission of their simple order or quote, the majority of market participants are surprised when their order or quote triggers a resting complex order making them a Taker (when they otherwise expected to be a Maker based on the simple order book). The Exchange additionally notes that while the order or quote that triggers the execution of a resting complex order is charged Taker fees, any remaining simple orders or quotes that also trade against that resting complex order are still treated as Maker and as such receive the Maker rebates set forth in Section 1A of the C2 Fees Schedule.

In light of the above, the Exchange proposes to amend the Fees Schedule to provide that for all equity, multiply-listed index (excluding RUT), ETF and ETN options classes, transactions in which simple orders or quotes execute against a resting complex order, no fees or rebates will be assessed to any component of the resting complex order or the simple orders or quotes. In conjunction with the proposed change, the Exchange proposes to clarify in Section 1B of the C2 Fees Schedule that for transactions in which resting simple orders or quotes execute against an incoming marketable complex order, each component of the complex order will be assessed the complex order fees listed in Section 1B of the C2 Fees Schedule, while the simple orders and quotes will be assessed the transaction fees listed in Section 1A of the C2 Fees Schedule. Particularly, the Exchange notes that it does not wish to assess transaction fees on any simple orders or quotes that make a resting complex order marketable because, as discussed above, the sender of a simple order or quote would likely not know at the time of submission whether that order or quote would trigger the execution of a resting complex order and be assessed Taker fees

instead of receive Maker rebates as otherwise expected. Additionally, when a Market-Maker updates a quote, that improved quote may make a resting complex order marketable unexpectedly. Upon execution of that transaction that Market-Maker would then be assessed fees as a Taker. In order to avoid discouraging Market-Makers from improving their markets (so as to avoid transaction fees as a Taker) the Exchange proposes to waive transaction fees in these instances as well. As the Exchange would not be assessing transaction fees on the simple order or quote that triggers the execution of a resting complex order, the Exchange similarly also proposes to not assess a fee or provide a rebate on the components of the resting complex order that executed against the simple order or updated quote. Additionally, since the Exchange is not generating any fees on these transactions, the Exchange proposes to not provide rebates to the other simple order(s) or quote(s) that execute against the resting complex order.

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 change⁵ 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

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

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 the proposed rule change is reasonable because market-participants won't be assessed fees for transactions in which a simple order or quote triggers the execution of a resting complex order. The Exchange also believes it's reasonable, equitable and not unfairly discriminatory to not assess transaction fees for these transactions because market participants will likely not know whether their submitted order or quote will trade against a resting complex order resulting in that market participant being assessed Taker fees when they might otherwise have expected to be treated as a Maker based on the resting simple orders and quotes. Also as mentioned above, the Exchange does not want to discourage Market-Makers from improving their quotes by charging Taker fees when they unexpectedly execute against a resting complex order. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to not provide rebates to the Makers in these transactions, as the Exchange is not generating a fee from these transactions. Finally, the Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies to all market participants.

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 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 the proposed rule change applies to all Permit Holders and because the Exchange wants to encourage liquidity

⁶ 15 U.S.C. 78f(b)(4).

and price improvement. The Exchange does not believe that the proposed change will impose any burden on intermarket competition because it only effects trading on C2. Should the proposed change make C2 a more attractive trading venue for market participants at other exchanges, such market participants may elect to become market participants at C2. Additionally, the Exchange notes that it operates in a highly competitive market, comprised of thirteen options exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate.

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 Act⁷ and paragraph (f) of Rule 19b-4⁸ 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:

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f).

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-C2-2015-036 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-C2-2015-036. 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 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-C2-2015-036 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.⁹

Jill M. Peterson
Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).