

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78090; File No. SR-C2-2016-008)

June 16, 2016

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule to Amend the Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 10, 2016, 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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 with respect to the Linkage Routing fee.<sup>3</sup> By way of background, the Linkage Routing fee is assessed to all orders routed pursuant to the Options Order Protection and Locked/Crossed Market Plan. The Linkage Routing fee is currently \$0.70 per contract plus applicable Taker fees. The Exchange proposes to waive the Linkage Routing fee and Taker fees for orders that are routed to another Exchange if entered on (i) a prior business day or (ii) prior to 8:30 a.m. CST on the same business day.

The Exchange notes that trades on the open involve the matching of pre-opening orders and quotes and orders resting in the book from the prior business day and therefore, in effect, no Maker or Taker activity is occurring. As such, the Exchange currently waives the fees for trades on the open. The Exchange would similarly like to waive the Linkage Routing fee and applicable Taker fees for (i) pre-opening orders that are submitted by 8:30 a.m. CST and (ii) for orders resting in the book from a prior business day that link away to another Exchange. The Exchange notes that pre-opening orders submitted by 8:30 a.m. CST and orders resting in the book from a prior business day may potentially be linked away after being exposed during the opening process pursuant to C2 Rule 6.11.<sup>4</sup> The Exchange notes that it does not wish to assess Linkage or transaction fees for these orders however, as no Maker or Taker activity is occurring. Additionally,

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<sup>3</sup> The Exchange initially filed the proposed fee change on June 1, 2016 (SR-C2-2016-006). On June 10, 2016, the Exchange withdrew that filing and replaced it with SR-C2-2016-008.

<sup>4</sup> See C2 Rule 6.11.

the Exchange notes that while a sender of an order intraday would likely know upon submission whether that order could potentially link away that day based on the National Best Bid and Offer (NBBO) and resting simple orders and quotes, a sender of an order could not know at the time of submission whether that order would link away after an opening rotation on the following trade date (or if entered the same business day prior to 8:30 a.m. CST, whether it would link away after being exposed during the upcoming opening). The Exchange therefore does not wish to assess Linkage or Taker fees for these orders.

## 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.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> 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

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

Section 6(b)(4) of the Act,<sup>7</sup> 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 Linkage Routing or Taker fees for orders that are routed to another Exchange if entered on a prior business day or prior to 8:30 a.m. CST on the same business day. The Exchange also believes it's reasonable, equitable and not unfairly discriminatory to not assess linkage or transaction fees for these transactions because no Maker or Taker activity is occurring in these instances and because market participants cannot anticipate upon submission whether their order would be linked away after exposure during an opening process, which would result in that market participant being assessed Taker fees (and in some instances, when they may otherwise have expected to be treated as a Maker). The Exchange also wishes to avoid discouraging Trading Permit Holders ("TPHs") from canceling resting orders at the end of the day and from sending pre-opening orders (so as to avoid possible linkage and Taker fees if linked away after an opening rotation). 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 TPHs and because the

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<sup>7</sup> 15 U.S.C. 78f(b)(4).

Exchange does not wish to assess fees on orders that a TPH cannot anticipate being linked away and unexpectedly incur Linkage and Taker fees. 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 fourteen 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 Act<sup>8</sup> and paragraph (f) of Rule 19b-4<sup>9</sup> 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.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f).

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2016-008 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-C2-2016-008. 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-C2-2016-008 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.<sup>10</sup>

Robert W. Errett  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).