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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67929; File No. SR-C2-2012-034)

September 26, 2012

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to AIM and SAM

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 21, 2012, the C2 Options Exchange, Incorporated (“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 Exchange has designated the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 is proposing to make amendments to its rules pertaining to certain auction mechanisms. The text of the proposed rule change is available on the Exchange’s website (<http://www.c2exchange.com/Legal/RuleFilings.aspx>), at the Exchange’s Office of the Secretary and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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 those 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 parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

Under Rule 6.51, Automated Improvement Mechanism (“AIM”), a Trading Permit Holder that represents agency orders may electronically execute an order it represents as agency (an “Agency Order”) against principal interest and/or against solicited orders provided it submits the Agency Order for execution into the AIM auction process. Under Rule 6.52, Solicitation Auction Mechanism (“SAM”), a Trading Permit Holder that represents agency orders may electronically execute an Agency Order against solicited orders provided it submits the Agency Order for electronic execution into the SAM auction process, under which both the Agency Order and the solicited order will be designated in the C2 System as all-or-none. The Exchange is proposing to make certain changes detailed below to these auction trading rules.

First, currently the AIM and SAM auctions each in relevant part provide that auction responses may be modified or canceled during the auction response period. The only way to modify a response would be for a Trading Permit Holder to cancel a prior response then submit a new response. As a result, the Exchange believes that the references to modifying

responses in the rule text are unnecessary. Therefore, the Exchange is proposing to delete references to modifying responses in Rules 6.51(b)(1) and 6.52(b)(1), respectively.

Second, normally an auction would conclude after 1 second in the case of an AIM or SAM auction. In addition, respective AIM and SAM auction provisions set out various circumstances during which an auction would conclude early. Currently, the provisions are silent on what would happen in the event the option series is subject to a trading halt while an auction is ongoing. In such an event, the relevant auction would conclude early and the Agency Order would execute (or not execute) in accordance with the allocation provisions set out in the relevant rules. Therefore, the Exchange is proposing to amend Rules 6.51(b)(2) and 6.52(b)(2), respectively, to indicate that an auction would conclude early in the event of a trading halt in the series on the Exchange and the Agency Order would execute (or not execute) in accordance with the allocation provisions set out in the relevant rules.⁵

(b) Statutory Basis⁶

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act⁷ in general and furthers the objectives of Section 6(b)(5) of the Act⁸ in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. In particular, the Exchange believes that the refinements being proposed in this rule change filing should serve to further those objectives by more

⁵ The Exchange notes that NASDAQ OMX PHLX LLC (“Phlx”) has a similar provision within its electronic auction rules related to the early conclusion of an auction due to a trading halt. See Phlx Rule 1080(n).

⁶ The Commission notes that the Exchange has repeated this paragraph under Section I.A.2 (Statutory Basis).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

clearly and fully describing certain aspects of the operation of the AIM and SAM auction processes.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act⁹ in general and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. In particular, the Exchange believes that the refinements being proposed in this rule change filing should serve to further those objectives by more clearly and fully describing certain aspects of the operation of the AIM and SAM auction processes.

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

The Exchange 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 proposal.

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

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6)¹² 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:

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-C2-2012-034 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 Number SR-C2-2012-034. 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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

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-C2-2012-034 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.¹³

Kevin M. O'Neill
Deputy Secretary

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¹³ 17 CFR 200.30-3(a)(12).