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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67939; File No. SR-C2-2012-033)

September 27, 2012

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the P.M.-Settled S&P 500 Index Option Product Pilot Program

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 19, 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

The Exchange proposes to extend a pilot program. 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

On September 2, 2011, the Commission approved, on a pilot basis, the Exchange's proposal to list and trade p.m.-settled, cash-settled S&P 500 index options with third-Friday-of-the-month expiration dates ("Expiration Friday") for which the exercise settlement value was to be based on the index value derived from the closing prices of component securities, for an initial period of fourteen months (the "Pilot Program").³ The proposed contract (referred to as "SPXPM") is traded using a \$100 multiplier, and the minimum trading increment is \$0.05 for options trading below \$3.00 and \$0.10 for all other series. Strike price intervals are set no less than 5 points apart. Consistent with existing rules for index options, the Exchange has allowed up to twelve near-term expiration months, as well as LEAPS. Expiration processing has occurred on the Saturday following Expiration Friday. The product has European-style exercise and is not subject to position limits, though there are enhanced reporting requirements. All of these specifications are in accordance with those described in the Approving Release.

As part of the Pilot Program, the Exchange committed to submit a pilot program report to the Commission at least two months prior to the expiration date of the Pilot Program (the "Annual Report"), as well as periodic interim reports. The Exchange recently submitted this Annual Report, which contains an analysis of volume, open interest, and trading patterns. The

³ See Securities Exchange Act Release No. 65256 (September 2, 2011), 76 FR 55969 (September 9, 2011) (SR-C2-2011-008) (the "Approving Release"). See also Securities Exchange Act Release No. 65521 (October 7, 2011), 76 FR 63973 (October 14, 2011) (SR-C2-2011-029), which inserted "November 2, 2012" (fourteen months after September 2, 2011) as the conclusion date for this initial period of the Pilot Program.

analysis examines trading in the proposed option product as well as trading in the securities that comprise the S&P 500 index. In addition to the Annual Report, the Exchange has provided the Commission with periodic interim reports while the Pilot Program has been in effect.

In trading SPXPM according to the specifications described above, and submitting the Annual Report as well as periodic interim reports regarding the Pilot Program, the Exchange has complied with the requirements of the Approving Release. During the Pilot Program, the Exchange experienced no problems with or issues regarding the trading of SPXPM. Further, SPXPM has been a popular product among investors, and the Exchange expects it to continue to be a valuable offering for investors.

The initial period for the Pilot Program is scheduled to conclude on November 2, 2012.⁴ The Exchange hereby proposes to extend the duration of this Pilot Program for one year, until November 2, 2013. Extending the Pilot Program by one year will give the Commission more time to consider the impact of the Pilot Program. The Exchange will continue to submit to the Commission annual and interim reports pursuant to the requirements provided in the Approving Release. In addition to these requirements, the Exchange will provide an analysis of the distribution of trade sizes for SPX in the Annual Report, and will work with the Commission in providing additional data, as needed, to evaluate the Pilot Program.

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.⁵ Specifically, the Exchange believes the proposed rule change is

⁴ See Securities Exchange Act Release No. 65521 (October 7, 2011), 76 FR 63973 (October 14, 2011) (SR-C2-2011-029).

⁵ 15 U.S.C. 78f(b).

consistent with the Section 6(b)(5)⁶ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, 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.

The Exchange believes that the trading of SPXPM in the manner in which it has been traded, and would continue to be traded, under the Pilot Program has not and does not raise any meaningful regulatory concerns. Further, the Exchange believes that such trading has not, and will not adversely impact fair and orderly markets on Expiration Fridays for the underlying stocks comprising the S&P 500 index. Additionally, the trading of SPXPM provides investors with additional opportunities to trade S&P 500 options with a p.m.-settlement feature in an exchange environment and subject to transparent exchange-based rules. The Exchange also believes that investors benefit from the opportunity to trade in association with this product on Expiration Fridays, thereby removing impediments to a free and open market consistent with the Act.

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;

⁶ 15 U.S.C. 78f(b)(5).

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 Act⁷ and Rule 19b-4(f)(6)⁸ 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 No. SR-C2-2012-033 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.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 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.

All submissions should refer to File No. SR-C2-2012-033. 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-C2-2012-033 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

Kevin M. O'Neill
Deputy Secretary

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⁹ 17 CFR 200.30-3(a)(12).