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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77961; File No. SR-C2-2016-005)

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Senior Management Authority

June 1, 2016

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 May 23, 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 seeks to amend its Bylaws and Rules with respect to delegations of certain authorities to senior management. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

[FOURTH] FIFTH AMENDED AND RESTATED
BYLAWS OF
C2 OPTIONS EXCHANGE, INCORPORATED

* * * * *

ARTICLE VI Advisory Board

Section 6.1. Advisory Board.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The Board will establish an Advisory Board which shall advise the Board and [the Office of the Chairman] management regarding matters of interest to Trading Permit Holders. It shall consist of such number of members as set by the Board from time to time, including at least two members who are Trading Permit Holders or persons associated with Trading Permit Holders. The Chief Executive Officer, or his or her designee, shall be the Chairman of the Advisory Board. The members of the Advisory Board shall be recommended by the Nominating and Governance Committee for approval by the Board. There shall be a Trading Permit Holders Subcommittee of the Advisory Board consisting of all members of the Advisory Board who are Trading Permit Holders or persons associated with Trading Permit Holders, which shall act as the Representative Director Nominating Body if and to the extent required by these Bylaws.

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C2 Options Exchange, Incorporated

Rules

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Table of Contents

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Chapter 16 Summary Suspension [by Chairman of the Board or Vice Chairman of the Board]

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Rule 6.33. Authority to Take Action Under Emergency Conditions

The [Chairman of the Board] Chief Executive Officer, the President or such other person or persons as may be designated by the Board shall have the power to halt or suspend trading in some or all securities traded on the Exchange, to close some or all Exchange facilities, to determine the duration of any such halt, suspension or closing, to take one or more of the actions

permitted to be taken by any person or body of the Exchange under Exchange rules, or to take any other action deemed to be necessary or appropriate for the maintenance of a fair and orderly market or the protection of investors, or otherwise in the public interest, due to emergency conditions or extraordinary circumstances, such as (1) actual or threatened physical danger, severe climatic conditions, natural disaster, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the Exchange, or (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event. The person taking the action shall notify the Board of actions taken pursuant to this Rule, except for a period of mourning or recognition for a person or event, as soon thereafter as is feasible.

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The text of the proposed rule change is also 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.

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 amend its Bylaws and Rules as it relates to certain references to senior management. The Exchange notes that historically, the C2 Chairman of the Board also held the title of Chief Executive Officer (“CEO”). Currently, however, the roles of Chairman of the Board, CEO, and President are now occupied by three different individuals. As such, the Exchange has conducted a review of its rules relating to the authorities delegated to senior management and seeks to make changes to its rules to more accurately reflect its senior management structure.

First, the Exchange proposes to amend section 6.1. (Advisory Board), of the Exchange’s Bylaws. Section 6.1 currently provides that the Board will establish an Advisory Board which shall advise the Board and the Office of the Chairman regarding matters of interest to Trading Permit Holders (“TPHs”). The Exchange notes that the Advisory Board’s Charter however, provides that the Advisory Board shall advise the Board and “management” regarding matters of interest to TPHs. In order to conform the language in section 6.1 to the Advisory Board Charter, the Exchange proposes to replace the reference to “Office of the Chairman” with “management”. The Exchange believes the proposed change would alleviate confusion and maintain consistency between the Exchange’s governance documents. Additionally, the title of the Bylaws would be changed to Fifth Amended and Restated Bylaws of C2.

Next, the Exchange proposes to amend the title of chapter 16 in the C2 Rule’s Table of Contents. Currently, the title of chapter 16 is “Summary Suspension by Chairman of the Board or Vice Chairman of the Board.” The Exchange notes that rules contained within CBOE chapter XVI are incorporated into C2’s chapter 16. CBOE Chapter 16 currently provides that the Chairman of the Board or President may summarily suspend a TPH and limit or prohibit any person with respect to access to services offered by the Exchange. The Exchange notes however,

that CBOE is concurrently proposing to amend its rules to provide that the CEO (rather than Chairman) or President may summarily suspend a TPH.³ Additionally, the Exchange notes that it no longer maintains the role of Vice Chairman of the Board. As such, the Exchange proposes to amend the chapter 16 title to simply state “Summary Suspension” to avoid confusion and maintain clarity in the rules.

Lastly, the Exchange proposes to amend Rule 6.33 (Authority to Take Action Under Emergency Conditions). Rule 6.33 currently provides that the Chairman of the Board, the President or such other person or persons as may be designated by the Board shall have the power to halt or suspend trading in some or all securities traded on the Exchange, to close some or all Exchange facilities, to determine the duration of any such halt, suspension or closing, to take one or more of the actions permitted to be taken by any person or body of the Exchange under Exchange rules, or to take any other action deemed to be necessary or appropriate for the maintenance of a fair and orderly market or the protection of investors, or otherwise in the public interest, due to emergency conditions or extraordinary circumstances. The Exchange notes that the CEO’s responsibility is that of general charge and supervision of the business of the Corporation⁴, whereas the Chairman of the Board’s responsibility is that of the presiding officer at all meetings of the Board and stockholders, as well as of other powers and duties as are delegated to him or her by the Board.⁵ The Exchange believes the responsibilities currently delegated to the Chairman of the Board under Rule 6.33 pertains to the general charge and supervision of the Exchange’s business and therefor fall within the scope of the CEO’s stated

³ See SR-CBOE-2016-047.

⁴ See Section 5.2 of the Bylaws.

⁵ See Section 3.6 of the Bylaws.

responsibilities, instead of the Chairman's. Accordingly, the Exchange proposes to eliminate the reference to "Chairman of the Board" and replace with "Chief Executive Officer."

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.⁶ Specifically, the Exchange believes the proposed rule change is consistent with the section 6(b)(5)⁷ 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 the section 6(b)(5)⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule changes will more accurately reflect the current management structure and ensure that rules relating to senior management authority are clear and transparent, which reduces confusion, thereby removing impediments to, and perfecting the mechanism for a free and open market and a national market system, and, in general, protecting investors and the public interest of market participants.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ Id.

In particular, the Exchange believes the proposed change to section 6.1 of C2's Bylaws eliminates an outdated and potentially confusing term (i.e., Office of the Chairman) and conforms the language to the C2 Advisory Board Charter, thereby reducing confusion, which removes impediments to, and perfects the mechanism for a free and open market and a national market system, and, in general, protects investors and the public interest of market participants. The Exchange believes the proposal to transfer the authorities under Rule 6.33 from the Chairman of the Board to the CEO is appropriate and protects investors and the public interest of market participant [sic] as those authorities relate to the general charge and supervision of the Exchange business, which responsibility is delegated to the CEO. Additionally, the Exchange notes that while delegation of the authority is being modified, the substantive practices of the Exchange will remain the same. The Exchange believes renaming the chapter 16 title alleviates confusion in light of CBOE's concurrent proposed rule change to chapter 16 and also in light of the fact that it currently references a role no longer used (i.e., Vice Chairman).

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 imposes any burden on intramarket competition because it applies to all TPHs and is not designed to address any competitive issues. Additionally, as noted above, while the delegation of authority is being modified, the substantive practices of the Exchange will remain the same. C2 does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed rule change merely relates to the delegation of authorities to senior management and only affects C2.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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:

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-C2-2016-005 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-C2-2016-005. 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-C2-2016-005, and should be submitted on or before [**INSERT DATE 21 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Brent J. Fields,
Secretary.

⁹ 17 CFR 200.30-3(a)(12).

