



8011-01
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78785; File No. SR-C2-2016-017)

September 8, 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”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 1, 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 the 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. Particularly, the Exchange proposes to amend Taker fees for simple, non-complex orders in all equity, multiply-listed index, ETF and ETN options classes (except Russell 2000 Index (“RUT”)) in both penny and non-penny classes. The Taker fees would be increased by \$0.02 per contract in penny classes and by \$0.02 for customers (“C” origin code) and by \$0.05 for all other origin codes in non-penny classes. Specifically, the Exchange proposes to adopt the following rates. Listed rates are per contract.

	Penny Classes		Non-Penny	
	Current	Proposed	Current	Proposed
Public Customer	\$.47	\$.49	\$.83	\$.85
C2 Market-Maker	\$.48	\$.50	\$.85	\$.90
All Other Origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.)	\$.48	\$.50	\$.88	\$.93
Trades on the Open	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

The Exchange notes that the proposed Taker fee amounts are the same as, or in line with, the amounts currently assessed for simple, non-complex orders in equity, multiply-listed index, ETF and ETN options classes assessed at other Exchanges.³

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

³ See e.g., NYSE Arca Options Fee Schedule, which lists, for electronic executions in Penny Pilot issues, 1) Customer Taker fee of \$0.49, 2) Market-Maker Taker fee of \$0.50, and 3) Firm and Broker Dealer Taker fee of \$0.50; and for electronic executions in non-Penny Pilot issues, 1) Customer Taker fee of \$0.85, 2) Market-Maker Taker fee of \$1.08, and 3) Firm and Broker Taker fee of \$1.08.

Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴ Specifically, the Exchange believes the proposed rule change 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 is consistent with the Section 6(b)(5)⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,⁷ 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 that the proposed increase to Taker fees for simple, non-complex orders in all equity, multiply-listed index, ETF and ETN options classes (except RUT) are reasonable because the proposed fee amounts are the same as, or in line with, the amounts assessed for similar transactions at other exchanges.⁸

The Exchange believes that it is equitable and not unfairly discriminatory to assess lower fees to Public Customers as compared to other market participants because Public Customer

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ Id.

⁷ 15 U.S.C. 78f(b)(4).

⁸ See supra note 3.

order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Public Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Additionally, the proposed fee change applying to Public Customers will be applied equally to all Public Customers.

The Exchange believes that it is equitable and not unfairly discriminatory to assess lower fees in non-penny classes to Market-Makers as compared to other market participants other than Public Customers because Market-Makers, unlike other C2 market participants, take on a number of obligations, including quoting obligations, that other market participants do not have. Further, these lower fees offered to Market-Makers are intended to incent Market-Makers to quote and trade more on the Exchange, thereby providing more trading opportunities for all market participants. Finally, all fee amounts listed as applying to Market-Makers will be applied equally to all Market-Makers.

Similarly, the Exchange believes it is equitable and not unfairly discriminatory to assess higher fees to all other origins (i.e., Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) in non-penny classes. Particularly, the Exchange notes that it believes it's equitable and not unfairly discriminatory to assess a higher fee than it does of Market-Makers, because these market participants do not have the same obligations, such as quoting, as Market-Makers do. The Exchange believes it's equitable and not unfairly discriminatory to assess a higher fee than it does to Public Customers, because, as described above, there is a history of providing preferential pricing to Public Customers as Public Customer liquidity benefits all market participants by providing more trading opportunities. The Exchange notes

that the proposed fee amounts listed for non-penny classes will also be applied equally to each of these market participants (i.e., Professional Customers, Firms, Broker/Dealers, non-C2 Market-Makers, JBOs, etc. will be assessed the same amount). It should also be noted that all fee amounts described herein are intended to attract greater order flow to the Exchange, which should therefore serve to benefit all Exchange market participants.

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

C2 does not believe that the proposed rule changes will impose any burden on competition that are 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, while different fees are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances as discussed above. The Exchange believes this proposal will not cause an unnecessary burden on intermarket competition because the proposed Taker fee amounts are similar to fees assessed at other exchanges for similar transactions.⁹ To the extent that the proposed changes make C2 a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become C2 market participants.

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

⁹ See supra note 3.

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and paragraph (f) of Rule 19b-4¹¹ 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:

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-C2-2016-017 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-C2-2016-017. 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

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f).

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 such 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-C2-2016-017, 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.¹²

Brent J. Fields
Secretary

¹² 17 CFR 200.30-3(a)(12).

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