



8011-01

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83409; File No. SR-C2-2018-012]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Schedule in Connection with the Technology Migration of C2 onto the Options Platform of the Exchange's Affiliated Options Exchanges, Cboe EDGX Exchange, Inc. and Cboe BZX Exchange, Inc.

June 12, 2018.

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 31, 2018, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (“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 this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. 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 in connection with the technology migration of C2 onto the options platform of the Exchange's affiliated options exchanges, Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”) and Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”).

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)(iii).

The text of the proposed rule change is available at the Exchange’s website at www.markets.cboe.com, at the principal office of the Exchange, 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 parts of such statements.

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

1. Purpose

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc., which is also the parent company of Cboe Exchange, Inc. (“Cboe Options”), acquired EDGX and BZX and its affiliated exchanges, Cboe EDGA Exchange, Inc. (“EDGA”) and Cboe BYX Exchange, Inc. (“BYX”). C2 migrated its technology onto the same trading platform as BZX, BYX, EDGA and BZX (“Affiliated Exchanges”) on May 14, 2018 (the “migration”). In connection with the Migration, the Exchange proposes to amend the Fees Schedule to adopt fees codes and make other non-substantive clarifying changes.⁵

Fee Codes

⁵ The Exchange initially filed the proposed changes on May 10, 2018 (SR-C2-2018-010). On May 21, 2018, the Exchange withdrew that filing and had already submitted SR-C2-2018-011 in its place on May 18, 2018. On May 31, 2018, the Exchange withdrew SR-C2-2018-011 and submitted this filing.

The Exchange first proposes to adopt and codify in its Fees Schedule fee codes for its standard transaction fees for (i) simple, non-complex orders in all equity, multiply-listed index, ETF and ETN options classes (except RUT), (ii) complex orders in equity, multiply-listed index, ETF and ETN options classes (except RUT), and (iii) RUT transactions. The Exchange notes that on the Affiliated Exchanges, rather than returning a monetary value indicating the rebate or charge for an execution, a fee code is utilized as an indication of a fee classification corresponding to an item on the venue's fee schedule. Each Affiliated Exchange publishes its fee codes in their respective fee schedules.⁶ Upon migration, the Exchange's billing system will also utilize various fee codes. The Exchange believes codifying these fee codes directly into the fees schedule will maintain clarity in the Fees Schedule and allow Trading Permit Holders ("TPHs") to more easily validate their bills on a monthly basis. The Exchange notes that none of these changes substantively amend any fee or rebate, nor do they alter the manner in which the Exchange assesses fees or calculates rebates.

Similarly, the Exchange proposes to adopt fee codes for Linkage Routing Fees. Currently, the Exchange's Fees Schedule provides generally that a Linkage Routing fee of "\$0.70 per routed contract in addition to applicable C2 taker fee" is assessed to orders that link away to other markets. The Exchange proposes to specifically specify the exact cost of linkage for each type of transaction and adopt a corresponding fee code. Particularly, the Exchange will list the fee code and transaction fee for routed (i) Customer orders in Penny and Non-Penny classes, (ii) Market-Maker orders in Penny and Non-Penny classes, (iii) Non-Customer, Non-Market Maker

⁶ See Cboe EDGA U.S. Equities Exchange Fee Schedule; Cboe EDGX U.S. Equities Exchange Fee Schedule; Cboe BZX U.S. Equities Exchange Fee Schedule; Cboe BYX U.S. Equities Exchange Fee Schedule; Cboe EDGX Options Exchange Fee Schedule; and Cboe BZX Options Exchange Fee Schedule (collectively, "Affiliated Exchange Fee Schedules").

orders in Penny and Non-Penny classes, and (iv) Customer, Market-Maker and Non-Customer, Non-Market Maker orders in RUT. The Exchange notes that the linkage routing rates are not changing. Rather the Exchange is merely expressing the fee as single rate by combining the \$0.70 per contract fee and the applicable C2 taker fee for each type of routed order and also assigning a unique fee code for each type of transaction.

The Exchange also proposes to add a section titled “Fee Codes and Associated Fees,” which will include the fee or rebate, fee code, and a description for each possible execution that could occur on the Exchange. The Exchange notes that this section is merely a consolidated table which lists each of the proposed fee codes already listed in the transaction fee tables above it.

Access Fees

Currently, the Fees Schedule provides that Market-Maker Permits entitle the holder to act as a Market-Maker and also provides an appointment credit, quote and order bandwidth allowance and a login allowance and Electronic Access Permits entitle the holder to access the Exchange and also provides an order entry bandwidth allowance and a login allowance. Post-Migration, bandwidth allocation and logins will not be tied to a Permit, and as such, the Exchange proposes to eliminate references to bandwidth and logins in the Access Fees section of the Fees Schedule. The Exchange also proposes to update the reference to the “Registration Department” to “Membership Services Department” to reflect the current name of the department. The Exchange lastly proposes to eliminate the language that provides that if cancellation of a Trading Permit is effective prior to the end of the applicable month, and the cancelling TPH later requests issuance of the same type of Trading Permit for the remainder of that month, the Exchange may issue the same type of Trading Permit (provided that a Trading Permit is available) but will not impose the additional prorated access fee for that month. The

Exchange notes that currently this action rarely happens, and it will be less likely to occur once bandwidth and logins are not tied to permits. Therefore, the Exchange proposes to eliminate this language as it no longer wishes to maintain this fee waiver.

Other Non-Substantive Changes

The Exchange proposes to add clarifying language to the language below the transaction rate table for simple orders. Currently, the Fees Schedule provides that “For executions that occur within the Complex Order Auction (“COA”) against auction responses, the incoming/auctioned order is considered maker, and auction responses are considered taker.” The Exchange first proposes to clarify that “unrelated orders” are also considered takers, as unrelated orders may trade against incoming/auctioned orders, just as responses do. The Exchange notes that no substantive change is being made by this proposed language. As the new transaction rate tables use the terminology “Add” in lieu of “Maker” and “Remove” in lieu of “Taker”, the Exchange also proposes to amend this language to remove references to Maker and Taker and replace it with corresponding references to Add and Remove.

The Exchange next proposes to change all references to “Permit Holders” to “Trading Permit Holders” or “TPHs”.⁷ The Exchange notes that it recently filed a rule filing which proposed to eliminate references to “Permit Holder” in the Exchange’s rules and instead use only “Trading Permit Holder” throughout the rules for consistency⁸. The Exchange proposes to make corresponding changes in the Fees Schedule to provide more consistency throughout the Fees Schedule and also harmonize its Fees Schedule with its rulebook.

⁷ See C2 Fees Schedule, current Sections 7, 8 and 9.

⁸ See Securities Exchange Act Release No. 83214 (May 11, 2018) 83 FR 22796 (May 16, 2018) (SR-C2-2018-005).

The Exchange also proposes to update an obsolete reference to the Series 56 exam in the Regulatory Fees Section and replace it with a reference to the Series 57 exam. The Exchange notes that the Series 56 exam no longer exists and as such, proposes to update the parenthetical in which it's referenced to a current exam.

The Exchange also is proposing formatting changes to the Fees Schedule. First, in order to harmonize the appearance of the Fees Schedule with the Fee Schedules of its affiliated exchanges, the Exchange proposes to eliminate the section numbers and certain outline formatting from the Fees Schedule and make corresponding non-substantive formatting changes. The Exchange also proposes to reflect fees and rebates in table form. The Exchange notes that no substantive changes are being made, rather the fees, rebates and text of the Fees Schedule are being reformatted to make the Fees Schedule easier to read and to harmonize the appearance with that of its affiliated exchanges.

C2 Cboe Data Services Fees

The Exchange proposes to consolidate the C2 Cboe Data Services, LLC (CDS) Fee Schedule and the C2 Fees Schedule. Currently the CDS Fee Schedule is maintained separately from the C2 Fees Schedule. The Exchange proposes to eliminate the CDS Fee Schedule in its entirety and relocate the fees to the C2 Fees Schedule. The Exchange believes this provides a more streamlined fees schedule and allows TPHs to more readily and easily find all fees applicable to C2. The Exchange notes that no substantive changes are being made with the relocation of the CDS fees.

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.⁹ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act¹⁰, which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Permit Holders and other persons using its facilities. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed changes are reasonable and equitable because they are clarifying and non-substantive and the Exchange is not changing any fees or rebates that apply to trading activity on the Exchange or routed executions. Further, the changes are designed to eliminate practices that are not utilized, make the fee schedule easier to read and for TPHs to validate the bills that they receive from the Exchange. The Exchange also believes that the proposal is non-discriminatory because it applies uniformly to all TPHs, and again, the Exchange is not making any changes to existing fees and rebates. Finally, the Exchange believes that the proposed fee schedule will be clearer and less confusing for investors and will eliminate potential investor confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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 intramarket or intermarket competition that is not necessary or appropriate in furtherance of the

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ 15 U.S.C. 78f(b)(5).

purposes of the Act. The proposed changes are intended to harmonize the appearance of the Fees Schedule with the Fee Schedules of its affiliated exchanges, to adopt fee codes in connection with the migration to new billing technology and to make clarifying, non-substantive changes to make the Fees Schedule easier to read and alleviate confusion. The Exchange notes that the proposal does not change the amount of any C2 fees or rebates, but rather makes clarifying and formatting changes, and therefore does not raise any competitive issues.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written 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; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹² and subparagraph (f)(6) of Rule 19b-4 thereunder.¹³

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)¹⁴ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 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.

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

public interest. In its filing, C2 requested that the Commission waive the 30-day operative delay. The Exchange represented that the proposal did not change the amount of any fees or rebates that apply to trading activity on the Exchange or to routed executions, but instead made clarifying and formatting changes in connection with the migration of C2 to the options platform used by its affiliate options exchanges. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest, as such waiver will permit this non-substantive proposed rule change to become operative immediately and thereby facilitate a smoother migration to the new options platform for members of the Exchange. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁵

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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:

¹⁵ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-C2-2018-012 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-C2-2018-012. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-C2-2018-012, and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Eduardo A. Aleman,
Assistant Secretary.

¹⁶ 17 CFR 200.30-3(a)(12) and (59).

[FR Doc. 2018-12925 Filed: 6/15/2018 8:45 am; Publication Date: 6/18/2018]