

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63021; File No. SR-C2-2010-004)

September 30, 2010

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Certain Rule Language Contained in CBOE Rules

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 22, 2010, 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 filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) 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 proposes to adopt certain rules in place at the Chicago Board Options Exchange, Incorporated (“CBOE”). The text of the proposed rule change is available on the Exchange’s website (www.cboe.org/Legal), at the Exchange’s Office of the Secretary, at the Commission’s Public Reference Room, and on the Commission’s website at www.sec.gov.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

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, C2 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

In 2009, C2 was registered as a national securities exchange under Section 6 of the Exchange Act.⁵ C2 has yet to commence trading options, however a launch is anticipated in October 2010. The purpose of this filing is to modify certain C2 rules to match changes that have been made to corresponding CBOE rules, and to also adopt certain provisions from CBOE Rules 3.1 and 8.3 regarding trading permits and market maker appointments, respectively.

The Exchange proposes to amend Rule 1.1 to adopt the definitions of the terms "Professional" and "Voluntary Professional" in a substantially similar manner as they have recently been adopted for use on CBOE. Thus, C2 will allow users that fall into the customer range to elect to have orders treated, for purposes of certain C2 rules, as broker dealers. Further, when a person or entity that is not a broker-dealer places more than 390 orders per day on average during a calendar month for its own beneficial account(s), such person will be deemed a "Professional" under the Rules and will be treated in the same manner as a broker-dealer for purposes of certain designated C2 rules.

⁵ See Exchange Act Release No. 61152 (Dec. 10, 2009), 74 FR 66699 (Dec. 16, 2009).

The Exchange proposes to amend Rule 3.1 to allow C2 to establish different types and terms of trading permits, and to establish guidelines and standards governing the Exchange's authority regarding these trading permits. The proposed changes merely adopt certain language contained in CBOE Rule 3.1.

The Exchange also proposes to amend Interpretation .03 to Rule 3.5 to expand the ability of the Exchange to waive the requirement to conduct a hearing under Rule 3.5 if the Exchange intends to grant a Permit Holder's application to continue holding a Trading Permit or an associated person's application for continued association with a Permit Holder.

The Exchange also proposes to modify Rule 6.10 regarding order types to (i) make clear that the Exchange has the flexibility to make order types available on a class-by-class basis (this language is identical to language contained in CBOE Rule 6.53); (ii) add the Intermarket Sweep Order (identical to the CBOE version); add the AIM Sweep Order (identical to the CBOE version); add the Sweep and AIM Order (identical to the CBOE version); and add the C2-Only Order (identical to the CBOE version except it is called C2-Only instead of CBOE-Only).

The Exchange also proposes to amend Rule 6.32 regarding trading pauses to conform Rule 6.32 to comparable rules on CBOE and other exchanges.

The Exchange also proposes to amend Rule 8.2 to adopt language from CBOE Rule 8.3 (Appointment of Market-Makers) to provide a structure for C2 Market-Makers to register in option classes. As proposed, approved C2 Market-Makers will receive an option class registration credit of 1.0. Like on CBOE, a Market-Maker can use that credit to register in option classes (each class will have a designated registration cost). For now, C2 is designating every option traded on C2, except SPX, VIX, OEX, DJX, and XSP, to have a registration cost of .001 (with that cost structure, C2 Market-Makers should be able to register in every option class

anticipated to be listed on C2, except for the specific classes listed above, with the registration credit of 1.0). If C2 determines to commence trading of SPX, VIX, OEX, DJX, and XSP options, it will file a proposed rule change to adopt registration costs for those products.

Lastly, the Exchange proposes to amend C2 Chapter 24 to clarify that CBOE Rule 24.20 (SPX Combination Orders) shall not apply to C2. CBOE Rule 24.20 relates to open-outcry trading of SPX combos on CBOE and is therefore not applicable to C2.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) ⁶ and the rules and regulations thereunder and, in particular, the requirements of Section 6(b) of the Act.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ 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. Updating the C2 rules to keep them in line with those of CBOE provides for consistency in rules.

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 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.

⁶ 15 U.S.C. 78s(b)(1). [sic]

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay, as specified in Rule 19b-4(f)(6)(iii),¹¹ which would make the rule change effective and operative upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.¹² The Commission notes the proposal is substantively identical to SRO rules that were approved by the Commission, and does not raise any new regulatory issues. For these reasons, the Commission designates the proposed rule change as operative upon filing.

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of 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. C2 has satisfied this requirement.

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 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).

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-C2-2010-004 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2010-004. 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-C2-2010-004 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

Florence E. Harmon
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).