

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63175; File No. SR-C2-2010-006)

October 25, 2010

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the C2 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 October 22, 2010, 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

C2 proposes to amend its Fees Schedule. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.org/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 self-regulatory organization 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.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

C2 proposes to amend its Fees Schedule in preparation for the Exchange's expected launch on October 29, 2010. In connection with the commencement of trading, C2 proposes to add a number of fees relating to activities on the Exchange. Most of the proposed fees are identical to fees in place at the Chicago Board Options Exchange, Incorporated ("CBOE").

Regarding transactions, C2 proposes to impose per contract taker fees and maker rebates. The amounts of the fees/rebates are based on order origin code. More specifically, the fee for taking liquidity will be \$0.25 per contract for C2 Market-Makers, \$0.15 for public customer orders, and \$0.40 for all other users (including Professional Customers). The maker rebate will be \$0.15 per contract for C2 Market-Makers, \$0.00 for public customers, and \$0.10 for all other users. The Exchange believes that it is appropriate and not unfairly discriminatory to set a higher rebate level for C2 Market-Makers than other participants in light of the commitments C2 Market-Makers undertake for market quality and liquidity. Further, C2 notes that while public customers do not receive a maker rebate, they are assessed a significantly lower taker charge than other user types.³ These fees will apply to all multiply-listed, non-proprietary, penny pilot equity and ETF options classes. Separate fees may be established, pursuant to a rule filing with the Commission, for other classes eventually traded on C2. Initially, there will be no fees or rebates for any users for trades that occur as part of the opening process.

The Exchange also proposes to impose a Linkage Routing Fee of \$0.50 per routed contract in addition to the applicable taker fee rate. The \$0.50 portion of the Routing Fee offsets

³ The Exchange also notes that a \$0.00 rebate for public customers is not unprecedented (See International Securities Exchange, Inc. Fee schedule).

costs incurred by the Exchange in connection with using an unaffiliated broker-dealer to access other exchanges and with transaction charges assessed by other exchanges. The applicable C2 taker fee rate component of the Routing Fee accounts for the C2 “execution” that occurs as part of the linkage process whereby an away execution obtained by C2’s routing broker is put to the underlying C2 customer on C2 (we note that there is no second print in connection with this process). C2 further notes that users can route directly to exchanges posting the best market if desired (or to specify that C2 not route orders away on their behalf) and that this routing function is an “extra” service provided by C2 to its Permit Holders.⁴

C2 proposes to impose access fees for the two types of access permits initially available for use on C2. The proposed permit fees would only be applicable for access to non-proprietary classes (if proprietary classes are added at a later date, access fees for such classes would be filed with the Commission). C2 will not assess these fees for the month of October 2010. The cost will be \$5,000 per month for a Market-Maker Permit. This permit gives the holder the ability to stream quotes and submit orders into the C2 trade engine. This permit also provides an appointment credit of 1.0, a quoting and order entry bandwidth allowance, up to three logins and Trading Permit Holder status. The quoting bandwidth allowance for a Market-Maker Permit is equivalent to a maximum of 156,000,000 quotes over the course of a trading day. The Electronic Access Permit, with a cost of \$1,000 per month, gives the holder the ability to submit agency and qualifying proprietary orders into the C2 trade engine (but not stream quotes) as well as an order entry bandwidth allowance, up to three logins and Trading Permit Holder status. The higher cost of the Market-Maker Permit is equitable in that it reflects the ability to continuously stream quotations.

⁴ C2 notes that CBOE also adds its “applicable transaction fee amount” to its routing fee (See CBOE Fees Schedule).

C2 will offer two kinds of bandwidth packets for use to supplement the standard bandwidth allocation contained in each access permit. The Quoting and Order Entry Bandwidth Packet (available to Market-Makers) provides bandwidth equivalent to 1/5th of a C2 Market-Maker Permit. The Order Entry Bandwidth Packet (available to Electronic Access Permit holders) provides bandwidth equivalent to one C2 Electronic Access Permit. C2 proposes a fee of \$1,000 per month for each supplemental bandwidth packet.

The Exchange also proposes to impose Sponsored User fees. The one-time Registration Fee of \$2,500 will be payable by a Trading Permit Holder for the registration of each of its Sponsored users. This fee is identical to the CBOE sponsored user fee, and offsets the cost of processing and registering Sponsored User applications. A Sponsored User is a person or entity that has entered into a sponsorship arrangement for purposes of receiving access to the Exchange system. The Sponsored User Program is governed by C2 Rule 3.15.

The Exchange proposes to assess the Sales Value Fee to each Trading Permit Holder for sales of securities on C2 with respect to which C2 is obligated to pay a fee to the SEC under Section 31 of the Exchange Act. To the extent there may be any excess monies collected for the Sales Value Fee, C2 may retain those monies to help fund its general operating expenses. The Sales Value Fee is collected indirectly from Trading Permit Holders through their clearing firms by OCC on behalf of C2 with respect to options sales and options exercises. The amount of the Sales Value Fee for options sales and options exercises is equal to (i) the Section 31 fee rate multiplied by (ii) the Trading Permit Holder's aggregate dollar amount of covered sales resulting from options transactions occurring on the Exchange during any computational period. This fee is identical to the Sales Value Fee in place at CBOE.

The Exchange proposes to impose a number of regulatory fees. The Firm Designated Examining Authority Fee of \$0.40 per \$1,000 of gross revenue (as reported on the quarterly FOCUS Report, Form X-17A-5) excludes commodity commission revenue. This fee is also subject to a monthly minimum fee of \$1,000 for clearing firms and \$275 for non-clearing firms. This fee is identical to a related fee on CBOE.

The Exchange proposes a number of fees to be collected and retained by FINRA via the Web CRDSM registration system for the registration of associated persons of Exchange Trading Permit Holders that are not also FINRA members. The FINRA Non-Member Processing Fee (\$85.00) is for all Initial, Transfer, Relicense, and Dual Registration Form U-4 filings. This fee will also be generated upon re-filing to Web CRDSM of C2- only registered individuals. The FINRA Disclosure Processing Fee (U-4, U-5, and amendments) (\$95.00) is for all registration, transfer, or termination filings with new or amended disclosure information or that require certification as well as any amendment to disclosure information. The FINRA Annual System Processing Fee (\$30.00) will be assessed only during renewals. There will also be fingerprint processing fees of \$30.25 per card (initial submission), \$13.00 per card (second submission), \$30.25 per card (third submission) and \$13.00 per card submitted by Trading Permit Holders on behalf of their associated person who have had their prints processed through a SRO other than FINRA. These fees are identical to fees in place at CBOE.

The Exchange proposes to assess a number of Communication Review Fees. For printed material reviewed, the proposed fee would be \$150 per submission for regular review and \$1,000 for expedited review, with a \$25 per page surcharge for each page reviewed in excess of five pages (\$50 per page for expedited review). For video and audio media reviewed, the proposed fee would be \$150 per submission for regular review and \$1,000 for expedited review, with a

\$25 per minute surcharge for each minute of tape reviewed in excess of five minutes (\$50 per minute for expedited review). Expedited review will be completed within five business days, not including the date the item is received by the Exchange, unless a shorter or longer period is agreed to by the Exchange. The Exchange may, in its sole discretion, refuse requests for expedited review. These fees are identical to fees in place at CBOE.

C2 proposes a Continuing Education Fee of \$100 per session assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Rule 9.3A. For Ad Hoc Information Services Requests, the Exchange will assess a fee equal to the costs of production of such information.

The Exchange also proposes Connectivity Fees of \$40.00 per month for each of a network access port charge, a CMI Client application server, and a FIX port, with the charge going up to \$80.00 per month for Sponsored Users. The Exchange believes it is equitable and reasonable to charge higher connectivity fees to Sponsored Users than it charges to Permit Holders because Permit Holders are subject to dues and other fees through their membership to help offset the Exchange's systems expenses.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(4)⁶ of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among C2 Trading Permit Holders and other persons using Exchange facilities.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

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

No written comments were solicited or received with respect to the proposed rule change.

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

The proposed rule change is designated by the Exchange as establishing or changing a due, fee, or other charge, thereby qualifying for effectiveness on filing pursuant to Section 19(b)(3)(A)(ii)⁷ of the Act and subparagraph (f)(2) of Rule 19b-4⁸ thereunder. At any time within 60 days of the filing of such 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

⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

⁸ 17 C.F.R. 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2010-006 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.

All submissions should refer to File Number SR-C2-2010-006. 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-C2-2010-006 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

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).