

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83201; File No. SR-C2-2018-006)

May 9, 2018

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule, Including Connectivity Fees, in Connection with its Technology Migration

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 April 27, 2018, Cboe C2 Exchange, Inc. (“Exchange” or “C2”) filed with the Securities and Exchange Commission (“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 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”).

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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 intends to migrate its technology onto the same trading platform as BZX, BYX, EDGA and BZX (“Affiliated Exchanges”) on May 14, 2018 (the “migration”). The Exchange proposes to amend certain fees in the Fees Schedule and adopt new connectivity fees, effective May 1, 2018.

Physical Connectivity

A physical port is utilized by a Trading Permit Holder (“TPH”) or non-TPH to connect to the Exchange at the data centers where the Exchange’s servers are located. The Exchange currently assesses fees for Network Access Ports for these physical connections to the Exchange. Specifically, TPHs and non-TPHs can elect to connect to C2’s trading system via either a 1 gigabit per second (“Gbps”) Network Access Port or a 10 Gbps Network Access Port. The Exchange currently assesses a monthly fee of \$500 per port for 1 Gbps Network Access Ports and a monthly fee of \$1,000 per port for 10 Gbps Network Access Ports. Through June 30, 2018,

C2 market participants will continue to have the ability to connect to C2's trading system via the current Network Access Ports. For the month of May 2018, the Exchange will continue to assess the current fee for any Network Access Port a TPH or non-TPH uses during the month of May.

Effective May 14, 2018, in connection with the migration, TPHs and non-TPHs may alternatively elect to connect to C2 via new Physical Ports.³ The new Physical Ports will similarly allow TPHs and non-TPHs the ability to connect to the Exchange at the data centers where the Exchange's servers are located and TPHs and non-TPHs will have the option to connect via 1 Gbps or 10 Gbps Physical Ports. The Exchange proposes to assess a monthly fee of \$2,000 per port for 1 Gbps Physical Ports and a monthly fee of \$7,000 per port for 10 Gbps Physical Ports. The new Physical Port fees will be prorated based on the remaining trading days in the calendar month. The Exchange notes that the new Physical Ports may also be used to connect to BZX, BYX, EDGX, and EDGA. The Exchange proposes to provide that market participants will only be assessed a single fee for any Physical Port that also accesses these exchanges.⁴ The Exchange will pass-through in full any fees or costs in excess of \$1,000 incurred by the Exchange to complete a cross-connect between exchanges. The Exchange notes that the proposed physical connectivity ports and corresponding fees are identical to the ports and fees assessed by its Affiliated Exchanges.⁵

³ As previously noted, market participants will continue to have the option of connecting to C2 via a 1 Gbps or 10 Gbps Network Access Port and would be assessed current rates of \$500 and \$1,000 per port, respectively.

⁴ For example, if a market participant uses only one 10 Gbps port to connect to both EDGX and C2, the market participant would only be assessed one monthly fee of \$7,000.

⁵ See Cboe EDGA U.S. Equities Exchange Fee Schedule, Physical Connectivity Fees; Cboe EDGX U.S. Equities Exchange Fee Schedule, Physical Connectivity Fees; Cboe BZX U.S. Equities Exchange Fee Schedule, Physical Connectivity Fees; Cboe BYX U.S. Equities Exchange Fee Schedule, Physical Connectivity Fees; Cboe EDGX Options Exchange Fee Schedule, Physical Connectivity Fees; and Cboe BZX Options Exchange

Logical Connectivity

Next, the Exchange proposes to amend its login fees. Currently, C2 market participants may access Cboe Command via either a CMI or a FIX Port, depending on how their systems are configured. The Exchange currently assesses monthly fees for each CMI and FIX Login ID a market participant has. Specifically, the Exchange assesses \$550 per Login ID, per month for CMI Login IDs and FIX Login IDs. Effective May 14, 2018, market participants will no longer be able to use CMI and FIX Login IDs. Rather, the Exchange will utilize a variety of logical connectivity ports as further described below. Similar to the legacy CMI and FIX Login IDs, a logical port provides users with the ability within the Exchange’s system to accomplish a specific function through a connection, such as order entry, data receipt, or access to information. In light of the upcoming discontinuation of CMI and FIX Login IDs, the Exchange proposes to eliminate the fees associated with the login IDs effective May 1, 2018 and adopt the below pricing for logical connectivity in its place.

Service	Cost per Month
Logical Ports (BOE, FIX, Drop)	\$650 per port
Bulk BOE Ports 1 – 5	\$1,500 per port
Bulk BOE Ports >5	\$2,500 per port
Purge ports	\$750 per port
GRP Ports	\$650/primary (A or C Feed)
Multicast PITCH/Top Spin Server Ports	\$650/set of primary (A or C feed)

Logical Ports (BOE, FIX, Drop): The new Logical Ports represents ports established by the Exchange within the Exchange’s system for trading purposes. Each Logical Port established is specific to a TPH or non-TPH and grants that TPH or non-TPH the ability to operate a specific application, such as order entry (FIX and BOE Ports) or drop copies (Drop Ports). Logical Port

Fee Schedule, Physical Connectivity Fees (collectively, “Affiliated Exchange Fee Schedules”).

fees are limited to Logical Ports in the Exchange's primary data center and no Logical Port fees are assessed for redundant secondary data center ports. The Exchange proposes to set the monthly port fee at \$650 per port. Each BOE or FIX Logical Port will incur the logical port fee indicated in the table above when used to enter up to 20,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 20,000 per day per logical port will incur an additional logical port fee of \$650 per month. Incremental usage will be determined on a monthly basis based on the average orders per day entered in a single month across all of a market participant's subscribed BOE and FIX Logical Ports.⁶ The Exchange believes that the pricing implications of going beyond 20,000 orders per trading day per Logical Port encourage users to mitigate message traffic as necessary. The Exchange notes that the proposed fee of \$650 per port is in line with the fee assessed for similar ports on BZX Options.⁷

BOE Bulk Logical Ports: Post-migration, the Exchange will also offer BOE Bulk Logical Ports, which provide users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. As indicated above, BOE Bulk Logical Ports are assessed \$1,500 per port, per month for the first 5 BOE Bulk Logical Ports and thereafter assessed \$2,500 per port, per month for each additional BOE Bulk Logical Port. Each Bulk BOE Logical Port will incur the logical port fee indicated in the table above when used to enter up to 30,000,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 30,000,000 orders per day per BOE Bulk Logical Port will incur

⁶ For May 2018, average daily order quantities used to determine incremental usage will be determined based on the number of trading days between May 14th and May 31st.

⁷ See Cboe BZX Options Exchange Fee Schedule, Options Logical Port Fees.

an additional logical port fee of \$2,500 per month. Incremental usage will be determined on a monthly basis based on the average orders per day entered in a single month across all of a market participant's subscribed BOE Bulk Logical Ports.⁸ The Exchange believes that the pricing implications of going beyond 30,000,000 orders per trading day per BOE Bulk Logical Port encourage users to mitigate message traffic as necessary. The Exchange notes that the proposed BOE Bulk Logical Port fees are similar to the fees assessed for these ports by BZX Options.⁹

Purge Ports: As part of the migration, C2 will be introducing Purge Ports to provide TPHs additional risk management and open order control functionality. The proposed ports are designed to assist TPHs, in the management of, and risk control over, their quotes, particularly if the TPH is dealing with a large number of options. Particularly, Purge Ports will allow TPHs to submit a cancelation for all open orders, or a subset thereof, across multiple sessions under the same Executing Firm ID ("EFID"). As indicated in the table above, the Exchange proposes to assess a monthly charge of \$750 per Purge Port. The Exchange notes that the proposed fee is identical to the fee assessed by BZX Options and EDGX Options for Purge Ports.¹⁰

Multicast PITCH/Top Spin Server and GRP Ports: In connection with the migration, the Exchange will also offer Multicast PITCH/Top Spin Server and GRP ports and proposes to assess \$750 per month, per port. Multicast PITCH/Top Spin Server Ports and GRP Ports are used to request and receive a retransmission of data from the Exchange's Multicast PITCH/Top data feed. The Exchange's Multicast PITCH/Top data feed is available from two primary feeds,

⁸ For May 2018, average daily order quantities used to determine incremental usage will be determined based on the number of trading days between May 14th and May 31st.

⁹ See Cboe BZX Options Exchange Fee Schedule, Options Logical Port Fees.

¹⁰ See Cboe EDGX Options Exchange Fee Schedule, Options Logical Port Fees; and Cboe BZX Options Exchange Fee Schedule, Options Logical Port Fees.

identified as the “A feed” and the “C feed”, which contain the same information but differ only in the way such feeds are received. The Exchange also offers two redundant feeds, identified as the “B feed” and the “D feed.” All secondary feed Multicast PITCH/Top Spin Server and GRP Ports will be provided for redundancy at no additional cost. The Exchange notes that the proposed fee is in line with the fee assessed for the same ports on BZX Options.¹¹

The Exchange proposes to provide for each of the logical connectivity fees that new requests will be prorated for the first month of service. Cancellation requests are billed in full month increments as firms are required to pay for the service for the remainder of the month, unless the session is terminated within the first month of service. The Exchange notes that the proration policy is the same on its Affiliated Exchanges.¹² The Exchange also proposes to make clear in the Fees Schedule that port fees for BOE, FIX, BOE Bulk and Drop ports will be assessed the full month rates for May for ports available for use on the new trading platform beginning May 14, 2018. The port fees for BOE, FIX, BOE BULK and Drop ports added on or after May 15, 2018, will be pro-rated. The Exchange notes that BOE, FIX, Drop and BOE Bulk ports offer similar functionality as current CMI and FIX Login Ids. As such, in lieu of assessing the current CMI and FIX Login Id fees for the month of May, the Exchange proposes to assess the proposed Logical Ports and BOE Bulk Port fees at the full rate for the month of May for any of these ports subscribed to on the date of the migration (May 14, 2018).

Access Fees

Currently, the Exchange assesses \$5,000 per month for a Market-Maker Permit and \$1,000 per month for an Electronic Access Permit. Market-Maker Permits entitle the holder to act as a Market-Maker and also provides an appointment credit, quote and order bandwidth

¹¹ See Cboe BZX Options Exchange Fee Schedule, Options Logical Port Fees.

¹² See Affiliated Exchange Fee Schedules, Logical Port Fees.

allowance and a login allowance. Electronic Access Permits entitle the holder to access the Exchange and also provides an order entry bandwidth allowance and a login allowance. The Exchange notes that post-Migration, bandwidth allocation and logins will not be tied to a Permit, and as such, TPHs will no longer need to have multiple Permits for each type of Permit (i.e., multiple Market-Maker Permits and/or and Electronic Access Permits).¹³ The Exchange therefore proposes to provide that TPHs will only be assessed the monthly fee for each type of Permit once (e.g., a TPH that holds only two Market-Maker Permits during the month of May would be assessed a total of \$5,000 as and for Permit fees in May).

Bandwidth Packets

As described above, post-migration, the Exchange will utilize a variety of logical ports. Part of this functionality is similar to bandwidth packets currently available on C2. Bandwidth packets restrict the maximum number of orders and quotes per second. Post-migration, market participants may similarly have multiple Logical Ports and/or BOE Bulk Ports as they may have bandwidth packets to accommodate their order and quote entry needs. As such, the Exchange proposes to eliminate its current Supplemental Bandwidth Packet fees, effective May 1, 2018. The Exchange believes that the proposed pricing implications of going beyond specified bandwidth described above in the logical connectivity fees section will be able to otherwise mitigate message traffic as necessary.

CAS Servers

By way of background, in order to connect to Cboe Command, which allows a TPH to trade on the C2 System, a TPH must connect via either a CMI or FIX interface (depending on the

¹³ The Exchange notes that TPHs do not need more than one Market-Maker Permit to accommodate all of the available appointments (i.e., a Market-Maker may have appointments in each class offered on C2 and still be below the appointment cost of one Trading Permit).

configuration of the TPH's own systems). For TPHs that connect via a CMI interface, they must use CMI CAS Servers. In order to ensure that a CAS Server is not overburdened by quoting activity for Market-Makers, the Exchange currently allots each Market-Maker a certain number of CASs (in addition to the shared backups) based on the amount of quoting bandwidth that they have. Post-migration, the Exchange will no longer use CAS Servers. In light of the upcoming elimination of CAS Servers, the Exchange proposes to eliminate the CAS Server allotment table and extra CAS Server fee, effective May 1, 2018.

Exchange Data Reports

The Exchange proposes to eliminate Exchange Data Reports Fees as it no longer wishes to assess such fees. The Exchange notes that requests for reports and data from TPHs and non-TPHs will continue to be treated in a fair and efficient manner.

Miscellaneous Changes

The Exchange proposes to renumber the sections in the Fees Schedule in light of the elimination of certain sections (e.g., Bandwidth Packet Fees and Exchange Data Reports). The Exchange also proposes to eliminate the Firm Designated Examining Authority Fee. The Exchange notes that C2 is not a Designated Examining Authority and as such the fee could not be assessed to firms. The Exchange proposes to eliminate the fee from the Fees Schedule to avoid potential confusion.

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.¹⁴ Specifically, the

¹⁴ 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act¹⁵, 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)¹⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Physical Connectivity

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to assess Network Access Port fees through May as market participants will still be able to utilize these ports throughout the month of May and the fee will apply to all TPHs and non-TPHs who use a Network Access Port. The Exchange believes the proposed post-migration Physical Port fees are reasonable because the Exchange is expending significant resources setting up physical connectivity in connection with the migration and will have ongoing costs associated with maintaining connectivity. The Exchange also notes that the proposed amounts are in line with the costs of physical connectivity at its Affiliated Exchanges.¹⁷ Indeed, the Exchange also believes that it is reasonable and in the interest of the public and investors to harmonize the Exchange's connectivity options and connectivity fees once the Exchange is on a common platform of its Affiliated Exchanges. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to assess a Physical Port fee only once if it connects with another affiliate exchange because only one port is being used and the Exchange does not wish to charge multiple

¹⁵ 15 U.S.C. 78f(b)(4).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ See Affiliated Exchange Fee Schedules, Physical Connectivity Fees.

fees for the same port. The Exchange also believes it's reasonable to pass-through in full any fees or costs in excess of \$1,000.00 incurred by the Exchange to complete a cross-connect, because the Exchange is still subsidizing costs to enable cross-connects, just not amounts in excess of \$1,000.

Logical Connectivity

The Exchange believes it's reasonable to eliminate certain fees associated with legacy options for connecting to the Exchange and to replace them with fees associated with new options for connecting to the Exchange that are similar to those offered at its Affiliated Exchanges. In particular, the Exchange believes it's reasonable to no longer assess fees for CMI and FIX Login IDs because the Login IDs will be retired and obsolete upon migration and because the Exchange is proposing to replace them with fees associated with the new logical connectivity options. The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies uniformly to market participants. The Exchange believes it's reasonable to assess the proposed fees for each of the new logical connectivity ports described above as the proposed fees help recoup costs setting up logical connectivity and also enables the Exchange to continue to maintain and improve its market technology and services. Additionally, the Exchange notes the proposed fees are the same as, or in line with, the fees assessed on its Affiliated Exchanges for similar connectivity.¹⁸ As noted above, the Exchange also believes that it is reasonable and in the interest of the public and investors to harmonize the Exchange's logical connectivity options and corresponding connectivity fees once the Exchange is on a common platform as its Affiliated Exchanges. The proposed logical connectivity fees are also

¹⁸ See Affiliated Exchange Fee Schedules, Logical Port Fees.

equitable and not unfairly discriminatory because the Exchange will apply the same fees to all market participants that use the same respective connectivity options.

Access Fees

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to assess an access fee only once for each kind of Permit, notwithstanding the number of Permits a TPH currently holds, because TPHs will be paying lower fees for access and the proposed change will apply uniformly to all TPHs. Additionally, the Exchange notes that currently, TPHs request additional Permits because of bandwidth and/or login needs. As described above, upon migration on May 14, 2018, bandwidth and logins will no longer be tied to Permits and as such, the need to hold multiple permits will be obsolete. Through May 14, 2018 however, TPHs may still need additional Permits and the Exchange does not wish to charge for those additional Permits.

Bandwidth Packets and CMI CAS Server Fees

The Exchange believes it's reasonable to eliminate Supplemental Bandwidth Packet fees and the CMI CAS Server fee because TPHs will not pay fees for these connectivity options and because bandwidth packets and CAS Servers will be retired and obsolete upon the upcoming migration. The Exchange believes that even though it will be discontinuing Supplemental Bandwidth Packets, the proposed incremental pricing for Logical Ports and BOE Bulk Ports will continue to encourage users to mitigate message traffic. The proposed change is equitable and not unfairly discriminatory because it will apply uniformly to all TPHs.

Exchange Data Reports

The Exchange believes eliminating fees for Exchange Data Reports is reasonable, equitable and not unfairly discriminatory because TPHs and non-TPHs no longer have to pay fees for these reports and it applies to TPHs and non-TPHs uniformly. As noted above, requests

for reports and data from TPHs and non-TPHs will continue to be treated in a fair and efficient manner.

Miscellaneous Changes

The Exchange believes the proposed rule change to renumber the sections in light of the elimination of certain sections (e.g., Bandwidth Packet Fees and Exchange Data Reports) alleviates potential confusion. Similarly, the Exchange believes deleting the Firm Designated Examining Authority Fee from the Fees Schedule alleviates confusion as it eliminates a fee that is moot because it cannot be charged (as discussed, C2 is not a Designated Examining Authority). The alleviation of confusion removes impediments to and perfects the mechanism of a free and open market and a national market system.

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 competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed change represents a significant departure from pricing offered by the Exchange's affiliates. Additionally, TPHs may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of TPHs or competing venues to maintain their competitive standing in the financial markets. The Exchange believes that fees for connectivity are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all TPHs and non-TPHs equally.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and paragraph (f) of Rule 19b-4²⁰ 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-C2-2018-006 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.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f).

All submissions should refer to File Number SR-C2-2018-006. 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. 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-C2-2018-006 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.²¹

Eduardo A. Aleman
Assistant Secretary

²¹ 17 CFR 200.30-3(a)(12).