

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67357; File No. SR-C2-2012-011]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change To Implement a Disaster Recovery Facility

July 5, 2012.

#### I. Introduction

On May 14, 2012, C2 Options Exchange, Incorporated (“Exchange” or “C2”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> a proposed rule change to implement a disaster recovery facility (“DRF”). The proposed rule change was published for comment in the **Federal Register** on May 23, 2012. <sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

#### II. Description of the Proposal

As set forth in proposed Exchange Rule 6.45 and the Notice, C2 has proposed to operate a DRF and adopt a rule governing its use. <sup>4</sup> The DRF is designed to allow the Exchange to continue to operate a marketplace for trading its exclusively-listed options (“ELOs”) <sup>5</sup> in the event that its main trading system becomes inoperable or otherwise unavailable due to a disaster or other unusual circumstance. <sup>6</sup> The DRF would provide a venue for investors to open and close positions in ELOs traded on C2 (e.g., SPXPM) in the event that the main C2 system became inoperable. <sup>7</sup> To operate the DRF, the Exchange would use hardware located in the Chicago Board Options Exchange, Incorporated (“CBOE”) building in Chicago, Illinois. <sup>8</sup> C2’s main trading

engine is located on the East Coast, thus there would be geographic diversity between the DRF and the main C2 trading system. <sup>9</sup> The Exchange has represented that the DRF would have the necessary systems capacity to handle trading in the event that use of the DRF becomes necessary. <sup>10</sup>

All C2 Trading Permit Holders (“TPH”), <sup>11</sup> including those that may not also be a CBOE TPH, would have access to the DRF. <sup>12</sup> Each TPH would be required, as instructed by the Exchange, to take appropriate actions in order to be able to trade options through the DRF, which actions would include completion of an Exchange certification process to ensure that TPHs are prepared to migrate to the DRF if and when necessary. <sup>13</sup> The Exchange has represented that it would continuously maintain the DRF so that it would always be available for use if needed. <sup>14</sup> The Exchange has represented further it has written supervisory procedures in place that would cover activation and use of the DRF, which would help ensure an efficient transition to the DRF. <sup>15</sup>

As soon as practicable after an event that rendered the main C2 system inoperable or otherwise unavailable, but prior to commencing trading on the DRF, the Exchange would announce publicly the option classes that would be available for trading on the DRF. <sup>16</sup> C2 has represented that trading on the DRF would be identical to trading on the Exchange. <sup>17</sup> For example, all trading and non-trading rules of the Exchange, including its fee schedule, would continue to apply to option classes traded on the DRF. <sup>18</sup> Quote and trade information also would continue to be reported to the Options Price Reporting Authority (“OPRA”) in the same manner as for regular trading on C2. <sup>19</sup>

Trading would transition back to the main C2 system as soon as it becomes operational.

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. <sup>20</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(1) of the Act, <sup>21</sup> which requires that an exchange be organized and have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange. The Commission believes that proposed Exchange Rule 6.45 provides a business continuity plan that is reasonably designed to allow the Exchange to continue trading its ELOs in the event that a disaster or other unusual circumstance renders the main C2 systems inoperable for continued trading. Specifically with respect to ELOs, continued trading on the DRF following a disruption that affects C2’s main trading systems will provide market participants and investors with continued access to a marketplace to open, close, and trade positions in C2’s ELOs. In the absence of adequate DRF facilities and procedures, market participants could be adversely affected by an inability to transact in such ELOs.

The Commission notes that the details of the Exchange’s proposal are consistent with the key elements set forth in the 2003 Policy Statement on Business Continuity Planning for Trading Markets, which directed SRO trading markets and electronic communication networks to take steps to develop procedures to minimize the potential disruption and market impact that could result from an event that interrupts the ability of market participants to utilize their trading systems. <sup>22</sup> Among other things, C2’s proposal provides for geographic diversity between the DRF and C2’s main trading system; references the written supervisory procedures to govern the operation of the DRF;

<sup>20</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>21</sup> 15 U.S.C. 78f(b)(1).

<sup>22</sup> See Securities Exchange Act Release No. 48545 (September 25, 2003), 68 FR 56656 (October 1, 2003) (File No. S7-17-003) (Business Continuity Planning for Trading Markets) (“Policy Statement”).

<sup>9</sup> See *id.*

<sup>10</sup> See *id.*

<sup>11</sup> See C2 Rule 1.1 (defining “Trading Permit Holder”).

<sup>12</sup> See Notice, *supra* note 3, 77 FR at 30571.

<sup>13</sup> See C2 Rule 6.45(d).

<sup>14</sup> See Notice, *supra* note 3, 77 FR at 30571.

<sup>15</sup> See *id.*

<sup>16</sup> See C2 Rule 6.45(b).

<sup>17</sup> See Notice, *supra* note 3, 77 FR at 30571.

<sup>18</sup> See C2 Rule 6.45(c).

<sup>19</sup> The Exchange represented that any ELO traded on the DRF would continue to reflect C2 as the exchange venue on the public tape. See Email from Angelo Evangelou, CBOE, to Commission staff dated February 7, 2012. In addition, the Exchange has represented that if C2 shuts down its main trading system during trading hours and subsequently migrates to the DRF, the regulatory data for the portion of the day that the main trading system was operating would be backed-up and available remotely. See Email from Angelo Evangelou, CBOE, to Commission staff dated July 3, 2012.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 67008 (May 17, 2012), 77 FR 30571 (May 23, 2012) (“Notice”).

<sup>4</sup> See C2 Rule 6.45.

<sup>5</sup> An ELO is an option that trades exclusively on C2 because C2 has an exclusive license to list and trade such option, or has proprietary rights in the interest underlying the option. When C2 filed this proposed rule change, it only listed and traded one ELO: SPXPM, which are Standard & Poor’s 500 Index options with third-Friday-of-the-month expiration dates for which the exercise settlement value is based on the index value derived from the closing prices of component securities. See Notice, *supra* note 3, 77 FR at 30571.

<sup>6</sup> See Notice, *supra* note 3, 77 FR at 30571; proposed C2 Rule 6.45(a).

<sup>7</sup> See Notice, *supra* note 3, 77 FR at 30571.

<sup>8</sup> See *id.*

establishes a process to ensure that TPHs will be ready to trade on the DRF if and when necessary; and contemplates public notice when a transition to trading on the DRF becomes necessary.<sup>23</sup> Accordingly, the Commission believes that C2's DRF should enable C2 to continue to offer a marketplace for trading its ELOs promptly after an event that disables C2's main trading system in a manner that is designed to minimize potential disruption and market impact.

In addition, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>24</sup> which requires, among other things, that the rules of a national securities exchange be designed 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. Specifically, the Commission finds the proposed rule change is reasonably designed to facilitate transactions by providing market participants with the necessary disclosure to understand the Exchange's operational capabilities and plans with respect to its ELOs in the event of a disruption to C2's main trading systems.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>25</sup> that the proposed rule change (SR-C2-2012-011) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**Elizabeth M. Murphy,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67356; File No. SR-ICC-2012-10]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Schedule 502 of the ICC Rules for the June 20, 2012 Index Maturity

July 5, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 22, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by ICC. ICC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(i)<sup>4</sup> thereunder, so the proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to update Schedule 502 of the ICC Rules in order to be consistent with the index maturity, which occurred on June 20, 2012.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC 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. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>5</sup>

##### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to update Schedule 502 of the

ICC Rules in order to be consistent with the index maturity, which occurred on June 20, 2012. The North American credit default swap indices that matured ("Maturing Indices") are: Investment Grade, Series 8, 5-year; Investment Grade High Volatility, Series 8, 5-year; and High Yield, Series 8, 5-year. The Maturing Indices update does not require any changes to the body of the ICC Rules. Also, the Maturing Indices update does not require any changes to the ICC risk management framework. The only change being submitted is the updates to the Maturing Indices in Schedule 502 of the ICC Rules. ICC believes that the update to the three Maturing Indices is consistent with the purposes and requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder applicable to ICC because it will facilitate the prompt and accurate settlement of derivative agreements.

##### (B) Self-Regulatory Organization's Statement on Burden on Competition

ICC does not believe that the proposed rule change will have any impact or impose any burden on competition.

##### (C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)<sup>7</sup> of the Act and Rule 19b-4(f)(4)(i)<sup>8</sup> thereunder because by updating the three Maturing Indices, it effects a change in an existing service of ICC that either does not adversely affect the safeguarding of securities or funds in the custody or control of ICC or for which it is responsible, and does not significantly affect the respective rights or obligations of ICC or the persons using it. 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,

<sup>23</sup> See Policy Statement, *supra* note 22, 68 FR at 56658.

<sup>24</sup> 15 U.S.C. 78f(b)(5).

<sup>25</sup> 15 U.S.C. 78s(b)(2).

<sup>26</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(i).

<sup>5</sup> The Commission has modified the text of the summaries prepared by ICC.

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(4)(i).