

acquisition must continue to be performed by FINRA or an affiliate thereof or by another independent self-regulatory organization. BX now proposes to reallocate operational responsibility from FINRA to BX Regulation for a limited number of equities surveillance patterns and related review functions focused on: (1) Manipulation patterns that monitor solely BX activity, including patterns that monitor the opening and closing crosses on The NASDAQ Stock Market LLC ("NASDAQ") and compliance with minimum bid listing requirements; and (2) monitoring of compliance by NASDAQ member firms with elements of the Commission's Regulation M<sup>6</sup> and NASDAQ Rule 4619 compliance, which will include data from BX.

In the Notice, the Exchange represents that it has the ability to conduct the surveillances and regulatory functions that it will assume. The Commission also notes that the Exchange represents that its expertise in its own market structure, along with its existing real-time monitoring of these activities, may enable the Exchange to better detect improper activities on its market. Moreover, these patterns, underlying rules, and analytical requirements are similar to patterns that BX regulatory personnel already monitor for affiliated options markets. The Exchange represents that NASDAQ's MarketWatch group, which already handles other real-time surveillance of the BX market, should be able to adequately and effectively handle the surveillances related to the instant proposed rule change.

In the Notice, the Exchange further represents that it will continue to refer potentially violative conduct to FINRA for further review and that FINRA will continue to perform most of the surveillance activity for BX's equity market. The Exchange also represents that FINRA will continue to perform examination and enforcement work, subject to BX's supervision and ultimate responsibility.

For the foregoing reasons, the Commission believes that the proposed rule change is consistent with the Act.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-BX-2013-047) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34-70574; File No. SR-C2-2013-036]**

### **Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fees Schedule**

September 30, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 25, 2013, 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, 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. The text of the proposed rule change is available on the Exchange's Web site (<http://www.c2exchange.com/Legal/>), at the Exchange's Office of the Secretary, at the Commission's Public Reference Room, and on the Commission's Web site at <http://www.sec.gov>.

#### **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**

The Exchange proposes to amend its Fees Schedule. First, the Exchange proposes to remove the following language from Section 3 of its Fees Schedule:

Because C2 intends to cease listing of SPXPM following the closing of trading on Friday, February 15, 2013, for any Market-Maker Permit used in February 2013 solely to act as a Market-Maker in SPXPM, C2 will credit back to the Market-Maker a pro-rated amount (corresponding to the portion of the month during which SPXPM is not listed on C2) of the Market-Maker Permit cost. This language is obsolete and no longer relevant, as the month of February 2013 has ended and SPXPM is no longer traded on the Exchange.

The Exchange also proposes to make another amendment to Section 3 of its Fees Schedule. Currently, Section 3 states that "Trading Permits will be renewed automatically for the next month unless the Trading Permit Holder submits written notification to the Registration Services Department by the 25th day of the prior month (or the preceding business day if the 25th is not a business day) to cancel the Trading Permit effective at or prior to the end of the applicable month." The Exchange proposes to amend this statement to give Trading Permit Holders ("TPHs") until 4 p.m. on the second-to-last business day of the prior month to cancel a Trading Permit. This will give TPHs more time to cancel Trading Permits before such permits renew.<sup>3</sup>

Third, the Exchange proposes to adopt a one-time "Responsible Person" fee of \$500 to the list of Application-Related Fees. A "Responsible Person" is an individual designated by an organization that is the holder of a Trading Permit to represent the organization with respect to that Trading Permit in all matters relating to the Exchange. The Responsible Person must be a United States-based officer, director or management-level employee of the Permit Holder, who is responsible for the direct supervision and control of

<sup>3</sup> The proposed new language would read "Trading Permits will be renewed automatically for the next month unless the Trading Permit Holder submits written notification to the Registration Services Department by 4 p.m. on the second-to-last business day of the prior month to cancel the Trading Permit effective at or prior to the end of the applicable month."

<sup>6</sup> 17 CFR 242.100 *et seq.*

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</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.

Associated Persons of that Permit Holder.<sup>4</sup> Each organization that is the holder of a Trading Permit must designate an individual as the Responsible Person for the Permit Holder. The Responsible Person must be affiliated with the Permit Holder.<sup>5</sup> The Exchange conducts an investigation and review of each person who the holder of a Trading Permit has identified as the holder's Responsible Person. This investigation and review may include a fingerprint criminal background check and the individual's consent to the Exchange's jurisdiction over the individual. The Exchange proposes to assess this fee in order to cover the costs of this investigation and review. This fee will not be assessed for a Responsible Person who is also an Associated Person with the same Trading Permit Holder, as the same investigation and review is conducted for each Associated Person as is conducted for each Responsible Person. Since the investigation and review will not be conducted twice for a Responsible Person who is also an Associated Person, the Exchange does not propose to assess both fees in such a circumstance.

Effective April 1, 2012, the Exchange added a clause to the Fees Schedule that waived Renewal fees for six months.<sup>6</sup> The Renewal fee is assessed to organizations and sole proprietorships that were once C2 Trading Permit Holders but gave up their trading permits, and now want to return. The Exchange proposed waiving the Renewal fee for a six-month period beginning on April 1, 2012 in order to provide an incentive to former C2 Trading Permit Holders to return to C2. Because that six-month period ended on September 30, 2012, this language is now obsolete. The Exchange therefore proposes to delete the language stating "These fees are waived for a six-month period beginning April 1, 2012" that applies to the Renewal fees.

The Exchange also proposes to add the language "after three months, all fees as assessed by the Exchange are considered final by the Exchange" to the end of the Fees Schedule. This will serve to encourage Permit Holders to promptly review their Exchange invoices so that any disputed charges can be addressed in a timely manner while the information and data underlying those charges is still easily and readily available. Other exchanges

include this language in their Fees Schedules.<sup>7</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>9</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, 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. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>10</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that the proposed changes to remove obsolete language from the Fees Schedule will alleviate any 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.

The Exchange believes that the proposal to amend Section 3 of the Fees Schedule to give TPHs until 4 p.m. on the second-to-last business day of the prior month to cancel a Trading Permit is reasonable because it will give TPHs more time to determine whether to cancel a Trading Permit. The Exchange believes that the proposed change is equitable and not unfairly discriminatory because it will apply to all TPHs.

The Exchange believes the addition of the Responsible Person fee is reasonable because the amount of the fee is intended to cover the costs of the review and examination of Responsible Persons. The Exchange believes that this is equitable and not unfairly

discriminatory because the fee will apply to all Responsible Person applicants (with the exception of those that are also Associated Person applicants.) The Exchange believes that it is equitable and not unfairly discriminatory to exempt Associated Person applicants with the same Permit Holder from the Responsible Person fee because the same investigation and review is conducted for each Associated Person as is conducted for each Responsible Person. Since the investigation and review will not be conducted twice for a Responsible Person who is also an Associated Person, the Exchange does not believe it would be equitable to assess both fees in such a circumstance.

The Exchange believes that the proposed addition of the language "after three months, all fees as assessed by the Exchange are considered final by the Exchange" to the end of the Fees Schedule is reasonable because this will serve to encourage Permit Holders to promptly review their Exchange invoices so that any disputed charges can be addressed in a timely manner while the information and data underlying those charges is still easily and readily available. The Exchange believes that this is equitable and not unfairly discriminatory because it will apply to all market participants. Further, other exchanges include this language in their Fees Schedules.<sup>11</sup>

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

C2 does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes apply to all qualifying market participants equally. C2 does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes are all specific to C2 operations, fees and the C2 Fees Schedule. To the extent that such changes may make C2 a more attractive market to market participants at other exchanges, such market participants may elect to become C2 market participants.

<sup>4</sup> See C2 Rule 1.1.

<sup>5</sup> See C2 Rule 3.8.

<sup>6</sup> See Securities Exchange Act Release No. 66651 (March 23, 2012) 77 FR 19041 (March 29, 2012) (SR-C2-2012-010).

<sup>7</sup> See Chicago Board Options Exchange, Incorporated ("CBOE") Fees Schedule, Footnote 7.

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> See CBOE Fees Schedule, Footnote 7.

*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 Act<sup>12</sup> and paragraph (f) of Rule 19b-4<sup>13</sup> 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2013-036 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-C2-2013-036. This file number should be included on the subject line if email 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 Web site (<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 Web site 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-C2-2013-036 and should be submitted on or before November 12, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-70618; File No. SR-CBOE-2013-093]**

**Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change To Amend Rule 6.42**

October 7, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 27, 2013, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "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.

<sup>14</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.

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

The Exchange proposes to amend Rule 6.42. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 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**

The Exchange proposes to amend its Rule 6.42—Minimum Increments for Bids and The Exchange proposes to amend its Rule 6.42—Minimum Increments for Bids and Offers—regarding minimum increments of bids and offers for complex orders. Currently, Rule 6.42(4) states that bids and offers on complex orders may be expressed in any increment regardless of the minimum increments otherwise appropriate to the individual legs of the order. This language allows for complex order bids and offers to be expressed in any increment whatsoever. The Exchange believes that setting a minimum increment for bids and offers on complex orders of \$0.01 will ensure that there is a lowest minimum increment for bids and offers that makes it simple to monitor and participate for all market participants (for example, many of the web-based services that public customers use to enter options orders do not permit the entry of orders in sub-penny increments, while other types of market participants may not face that limitation). Further, this \$0.01 minimum increment will put the electronic and manual entry of complex orders on even footing (as the Exchange's Complex Order Book ("COB") and Complex Order Auction

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).