

TPH's letter of guarantee or authorization, if it was issued by a Clearing TPH who has been suspended as a Clearing Member of the OCC or as a CBOE TPH, during the period of the suspension effective as soon as the Exchange is able to process the invalidation of the letter of guarantee or authorization;

- Provide that the invalidation of a letter of guarantee or authorization shall in no way relieve the Clearing Trading Holder that issued the letter of guarantee or authorization of responsibility from transactions guaranteed prior to the effectiveness of the invalidation; and

- Automatically terminate the trading permit(s) and TPH status of a Market-Maker or Floor Broker in market basket contracts if the Market-Maker or Floor Broker in market basket contracts does not have a required letter of guarantee or authorization in place for ninety consecutive days.

II. Discussion and Commission's 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.¹⁶ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁷ which requires, among other things, that the Exchange's rules 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 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. The Exchange's proposal will remove impediments to and to perfect the mechanism for a free and open market and, in general, protect investors by requiring that a TPH have an effective and unrestricted letter of guarantee, which will help prevent the execution of trades on CBOE that ultimately may not be able to be cleared and settled.

The Commission also finds that the proposed rule change is also consistent with the Section 6(b)(7) of the Act,¹⁸ which requires that the rules of an exchange provide a fair procedure for

the denial of membership to any person seeking membership therein and the prohibition or limitation by an exchange of any person with respect to access to services offered by the exchange. Under the proposed rule change, a TPH without an effective letter of guarantee or authorization will not be able to continue to trade on the Exchange and, if a TPH does not have a required letter of guarantee or authorization in place for ninety consecutive days, the permit of the TPH is automatically terminated. The Commission believes that it is appropriate to prohibit a TPH from trading on CBOE without a financial guarantee, and the 90-day period provides the TPH adequate time to cure its deficiency. The Commission notes that CBOE stated that the automatic termination provision does not prohibit or limit a previously terminated TPH from applying again to become a TPH once the TPH acquires the required letter of guarantee or authorization.¹⁹

III. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁰ that the proposed rule change (SR-CBOE-2012-124) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68897; File No. SR-C2-2013-007]

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

February 11, 2013.

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 February 1, 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend its Fees Schedule. The text of the proposed rule change [sic] available on the Exchange's Web site (<http://www.c2exchange.com/Legal/>), at the Exchange's Office of the Secretary, and at the Commission.

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, to correspond with other changes to equity options fees that the Exchange has proposed to take effect on February 1, 2013,³ C2 proposes to state that for all complex order transactions in equity options classes, all components of such transactions (including simple, non-complex orders and/or quotes that execute against a complex order) will be assessed no fee (or rebate). In SR-C2-2013-004, the Exchange proposes to adopt equity options transaction fees that are based, in part, on the C2 BBO Market Width. Because it would be difficult to determine the C2 BBO Market Width for spread transactions (which involve complex orders), the Exchange is still in the process of determining how to assess fees for such transactions. As such, C2 proposes, until making such determination, to assess no fees (or rebates) for all complex order transactions. The Exchange does not anticipate receiving many complex

¹⁶ 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).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ 15 U.S.C. 78f(b)(7).

¹⁹ See Notice, *supra* note 3, at 76324.

²⁰ 15 U.S.C. 78s(b)(2).

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See SR-C2-2013-004, available for viewing at <http://www.c2exchange.com/Legal/RuleFilings.aspx>.

orders in equity options in the near future.

In conjunction with C2's recent adoption of Designated Primary Market-Makers ("DPMs")⁴ for equity options classes, the Exchange also proposes to amend its Fees Schedule to exclude Public Customer orders (in equity options classes) from the Linkage⁵ Routing Fee of \$0.50 per routed contract in addition to applicable C2 taker fee. Instead, for Public Customer orders in equity options classes, C2 proposes to pass through the actual transaction fee assessed by the exchange(s) to which the order was routed. Other exchanges that use the DPM/Specialist model, including Chicago Board Options Exchange, Incorporated ("CBOE") and NYSE MKT LLC ("Amex"), pass

through fees (with some modifications) for such customer order routing.⁶

The Exchange has determined to increase the quoting bandwidth allowance for a Market-Maker Permit in order to provide greater quoting capacity for Market-Makers. Currently, such allowance is the equivalent to 156,000,000 quotes over the course of a day. This allowance will be increased to 195,000,000 quotes over the course of a day.

Because the registration cost for SPXPM is 1.0, a full Market-Maker Trading Permit (cost \$5,000 per month) is required for an Exchange Trading Permit Holder ("TPH") to act as a Market-Maker in SPXPM. As such, because the Exchange intends to cease the listing and trading of SPXPM

options following the close of trading on Friday, February 15, 2013, the Exchange proposes that, 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.

The Exchange also proposes to eliminate the distinction between Sponsored Users and non-Sponsored Users as they relate to Connectivity Charges. Currently, Sponsored Users are charged twice the regular monthly fees for such charges, with the types and amounts of such fees described in the chart below:

Description	Regular monthly fee	Sponsored user monthly fee
Network Access Port (1 Gbps)	\$500	\$1,000
Network Access Port (10 Gbps)	\$1,000	\$2,000
CMI Login ID	\$500	\$1,000
FIX Login ID	\$500	\$1,000

Going forward, the Exchange proposes to assess to Sponsored Users and all other non-TPHs the same Connectivity Charges as are assessed to TPHs, and to state that all such fees apply to non-TPHs as well as TPHs. The purpose of the proposed change is to simplify the Exchange's fees structure for connectivity to the Exchange and have a standard set of connectivity fees that apply to both TPHs and non-TPHs.

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,⁸ which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

Assessing no fees for complex order executions in equity options classes is reasonable because market participants will not have to pay a fee for such executions. This change is equitable and

not unfairly discriminatory because it would otherwise be difficult to determine the amount of fees for spread transactions (given the Exchange's new manner of determining equity options fees), and because all market participants will be assessed no fee for such transactions. Further, many exchanges (including C2) currently offer different pricing for complex orders than for simple orders.⁹

Passing through Linkage Fees for Public Customer orders is reasonable because it will merely require Public Customers to pay the amount of fees assessed for the execution of their orders on the away market(s) on which such orders are executed. This change is equitable and not unfairly discriminatory because, while it allows Public Customers to avoid the \$0.50 per contract fee (in addition to the applicable C2 taker fee) that is assessed to other market participants for Linkage orders, it may encourage Public Customers to send more orders to the Exchange (without worrying about the fees that would be incurred if such orders are sent to away markets). Thus, more Public Customer orders (some that do get sent to away markets, and some that do not) may be sent to the

Exchange. This provides greater liquidity, which benefits all market participants. Further, there is a history within the options marketplace of providing different fee structures for Public Customers than for other market participants. Moreover, a number of other exchanges, including CBOE and Amex, pass through Linkage fees to Public Customers and assess different Linkage fees to Public Customers than to other market participants (indeed, C2's proposed pass-through of Public Customer Linkage Fees is favorable to that on Amex, which passes through the fee and adds an \$0.11 per contract surcharge).¹⁰

Increasing the quoting bandwidth allowance is reasonable because it will allow Market-Makers to quote more. This increase is equitable and not unfairly discriminatory because it will apply to all Market-Maker Permits. Further, the increase in quoting bandwidth allowance will allow Market-Makers to quote more, which will provide more trading opportunity for all market participants.

Crediting back to a Market-Maker the pro-rated amount of the Market-Maker Permit fee for a Market-Maker Permit that is used solely for a TPH to act as

⁴ See Securities Exchange Act Release No. 68070 (October 18, 2012), 77 FR 65037 (October 24, 2012) (SR-C2-2012-024).

⁵ "Linkage" is the commonly-used term that refers to the Options Order Protection and Locked/Crossed Market Plan.

⁶ See CBOE Fees Schedule, table on Linkage Fees, and Amex Routing Surcharge.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

⁹ See Amex Fee Schedule and International Securities Exchange, LLC ("ISE") Schedule of Fees, Section II and also C2 Fees Schedule, Section 1C.

¹⁰ See CBOE Fees Schedule, table on Linkage Fees, and Amex Routing Surcharge.

a Market-Maker in SPXPM during February 2013 is reasonable because SPXPM will only be listed and traded during a portion of the month of February 2013, so it makes sense to only assess the Market-Maker Permit fee for that portion of the month. This is equitable and not unfairly discriminatory because it will apply to all Market-Maker Permits that are used solely for a TPH to act as a Market-Maker in SPXPM during February 2013.

Eliminating, for the purpose of Connectivity Charges, the distinction between Sponsored Users and stating that these fees apply to both TPHs and non-TPHs is reasonable because it will allow Sponsored Users and other non-TPHs to pay half the amount that Sponsored Users are currently assessed for such fees and ensure that TPHs and non-TPHs pay the same amounts in connectivity fees. The proposed change is equitable and not unfairly discriminatory because it will allow Sponsored Users and non-TPHs to be assessed the same amounts as TPHs.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

C2 believes that assessing no fee for all complex order transactions in equity options classes will not impose any burden on intramarket competition because all market participants will be assessed no fee for such transactions. C2 believes that this will not impose a burden on intermarket competition, but to the extent that not assessing transaction fees on all complex order transactions in equity options classes may attract market participants on other exchanges to C2, such market participants can always elect to become C2 market participants.

The Exchange believes that passing through an away market's transaction fees for Public Customer orders sent to such away market(s) will not impose an unfair burden on intramarket competition because, while it allows Public Customers to avoid the \$0.50 per contract fee (in addition to the applicable C2 taker fee) that is assessed to other market participants for Linkage orders, it may encourage Public Customers to send more orders to the Exchange (without worrying about the fees that would be incurred if such orders are sent to away markets). Thus, more Public Customer orders (some that do get sent to away markets, and some that do not) may be sent to the Exchange. This provides greater

liquidity, which benefits all market participants. Further, there is a history within the options marketplace of providing different fee structures for Public Customers than for other market participants. The Exchange believes that this will not impose an unfair burden on intermarket competition because a number of other exchanges, including CBOE and Amex, pass through Linkage fees to Public Customers and assess different Linkage fees to Public Customers than to other market participants (indeed, C2's proposed pass-through of Public Customer Linkage Fees is favorable to that on Amex, which passes through the fee and adds an \$0.11 per contract surcharge).¹¹ To the extent that this pass-through may be attractive to Public Customers to send orders to C2 instead of other markets, such Public Customers may elect to do so.

The Exchange does not believe that increasing the quoting bandwidth allowance for Market-Maker Permits will cause an unfair burden on intramarket competition because this increase applies to only, and all, C2 Market-Makers (just as does the current lower quoting bandwidth allowance). Further, the increase in quoting bandwidth allowance will allow Market-Makers to quote more, which will provide more trading opportunity for all market participants. The Exchange does not believe that this increase will cause an unfair burden on intermarket competition because, to the extent that this increased quoting bandwidth allowance may be attractive to Market-Makers at other exchanges, such Market-Makers may register as Market-Makers on C2.

The Exchange does not believe that crediting back to a Market-Maker the pro-rated amount of the Market-Maker Permit fee for a Market-Maker Permit that is used solely for a TPH to act as a Market-Maker in SPXPM during February 2013 will cause an unfair burden on intramarket competition because it only applies to Market-Makers using a Market-Maker Permit solely to act as a Market-Maker in SPXPM, which is the only options class with a full 1.0 registration cost that the Exchange intends to cease listing and trading in the middle of February 2013. The Exchange does not believe that this will cause an unfair burden on intermarket competition because SPXPM is only traded on C2.

The Exchange believes that eliminating, for the purpose of Connectivity Charges, the distinction

between Sponsored Users and stating that these fees apply to both TPHs and non-TPHs will relieve any possible burden on intramarket competition because it will ensure that TPHs and non-TPHs will be paying the same fee amounts. The Exchange believes that the proposed change will not impose any burden on intermarket competition, or have an impact on intermarket competition, because the proposed changes apply merely to connections to C2, and each exchange has different manners and structures for connectivity. Further, to the extent that the elimination of separate higher fees for Sponsored Users and the statement that the regular fees apply to both TPHs and non-TPHs could attract market participants connecting to other exchanges to connect to C2, market participants trading on other exchanges can always elect to do so.

The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange, and the Exchange believes that such structure will help the Exchange remain competitive with those fees and rebates assessed by other venues.

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 Act¹² and paragraph (f) of Rule 19b-4¹³ 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing,

¹¹ See CBOE Fees Schedule, table on Linkage Fees, and Amex Routing Surcharge.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f).

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. Please include File Number SR-C2-2013-007 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-C2-2013-007. 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 such 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-C2-2013-007, and should be submitted on or before March 8, 2013.

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

Kevin M. O'Neill,
Deputy Secretary.

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¹⁴ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68895; File No. SR-BYX-2013-004]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Y-Exchange, Inc.

February 11, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19-4 thereunder,² notice is hereby given that on January 29, 2013, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") 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 Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19-4(f)(2) thereunder,⁴ which renders the proposed rule change effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule applicable to Members⁵ and non-members of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.com>, at the principal office of the Exchange, 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 parts 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 modify its fee schedule in order to amend the fee structure related to its Retail Price Improvement ("RPI") program. Under the RPI program as currently constituted, the Exchange generally provides a rebate of \$0.0025 per share for Retail Orders that remove liquidity from the BYX Exchange order book in certain specified securities and provides a rebate of \$0.0010 per share for a Retail Order that removes liquidity from the BYX Exchange order book in other specified securities. For executions of Type 2 Retail Orders that remove displayed liquidity, however, the Exchange's fee schedule states that it applies standard removal pricing (*i.e.*, either a \$0.0002 per share liquidity removal rebate or an execution free of charge) rather than specific RPI pricing.

The Exchange wishes to note that the standard removal pricing applied to Type 2 Retail Orders that remove displayed liquidity includes Type 2 Retail Orders that remove displayed orders at a price more aggressive than the displayed price of such orders—this includes displayed orders subject to display-price sliding and displayed discretionary orders. The Exchange proposes to modify the fee schedule, including a related footnote, to extend the application of its standard removal pricing to include Type 1 Retail Orders that remove displayed liquidity, including orders that are displayed at a less aggressive price, but are willing to execute at a non-displayed and more aggressive price (again, displayed orders subject to display-price sliding and displayed discretionary orders).

As proposed, all Retail Orders (both Type 1 and Type 2 Retail Orders) that remove displayed liquidity would be, in all cases, subject to the Exchange's standard removal fees or rebates, as applicable. Under the proposed pricing structure, a Member that qualifies for the Exchange's \$0.0002 per share liquidity removal rebate will receive such rebate for any Retail Order that removes displayed liquidity, and a Member that does not qualify for the liquidity removal rebate would not receive such rebate, but would instead

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19-4(f)(2).

⁵ A Member is any registered broker or dealer that has been admitted to membership in the Exchange.