

or publicly disseminated; (d) how information regarding the Portfolio Indicative Value and the Disclosed Portfolio is disseminated; (e) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

(6) For initial and continued listing, the Fund will be in compliance with Rule 10A-3 under the Act,<sup>53</sup> as provided by NYSE Arca Equities Rule 5.3.

(7) The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets.

(8) Not more than 10% of the net assets of the Fund in the aggregate invested in equity securities (other than non-exchange-traded investment company securities) shall consist of equity securities whose principal market is not a member of the ISG or is a market with which the Exchange does not have a CSSA. Furthermore, not more than 10% of the net assets of the Fund in the aggregate invested in futures contracts shall consist of futures contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a CSSA. No more than 10% of the net assets of the Fund will be invested in ADRs that are not exchange-listed.

(9) The Fund's investments will be consistent with the Fund's investment objective and will not be used to produce leveraged returns. The Fund's investments will not be used to seek performance that is the multiple or inverse multiple (*i.e.*, 2Xs and 3Xs) of the Index.

(10) All ETFs in which the Fund invests will be listed and traded in the U.S. on a national securities exchange and the Fund will not invest in inverse ETFs or in leveraged (*e.g.*, 2X, -2X, 3X or -3X) ETFs.

(11) The Fund will not invest in options or swaps.

(12) A minimum of 100,000 Shares for the Fund will be outstanding at the commencement of trading on the Exchange.

The Exchange represents that all statements and representations made in the filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange. In addition, the issuer has represented to the Exchange that it will advise the

Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements.<sup>54</sup> If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Equities Rule 5.5(m).

This approval order is based on all of the Exchange's representations, including those set forth above, in the Notice, and in Amendment No. 1 to the proposed rule change. The Commission notes that the Fund and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600, including those set forth in this proposed rule change, as modified by Amendment No. 1, to be listed and traded on the Exchange on an initial and continuing basis.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act<sup>55</sup> and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,<sup>56</sup> that the proposed rule change (SR-NYSEArca-2016-79), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>57</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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<sup>54</sup> The Commission notes that certain other proposals for the listing and trading of Managed Fund Shares include a representation that the exchange will "surveil" for compliance with the continued listing requirements. *See, e.g.*, Securities Exchange Act Release No. 77499 (April 1, 2016), 81 FR 20428 (April 7, 2016) (SR-BATS-2016-04) (approving a proposed rule change to list and trade shares of the SPDR DoubleLine Short Duration Total Return Tactical ETF), available at: <http://www.sec.gov/rules/sro/bats/2016/34-77499.pdf>. In the context of this representation, it is the Commission's view that "monitor" and "surveil" both mean ongoing oversight of the Fund's compliance with the continued listing requirements. Therefore, the Commission does not view "monitor" as a more or less stringent obligation than "surveil" with respect to the continued listing requirements.

<sup>55</sup> 15 U.S.C. 78f(b)(5).

<sup>56</sup> 15 U.S.C. 78s(b)(2).

<sup>57</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78421; File No. SR-C2-2016-013]

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

July 26, 2016.

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 July 14, 2016, 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 is available on the Exchange's Web site (<http://www.c2exchange.com/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 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.<sup>3</sup> Specifically, the

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

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

<sup>3</sup> The Exchange initially filed the proposed fee change on July 1, 2016 (SR-C2-2016-011). On July

<sup>53</sup> See 17 CFR 240.10A-3.

Exchange proposes to increase Maker rebates for simple orders in all equity, multiply-listed index (except Russell

2000 Index (“RUT”)), ETF and ETN options classes. Specifically, the Exchange proposes to adopt the

following rates. Listed rates are per contract.

	Penny Classes		Non-Penny	
	Current	Proposed	Current	Proposed
Public Customer .....	(.37)	(.42)	(.75)	(.80)
C2 Market-Maker .....	(.40)	(.45)	(.68)	(.73)
All Other Origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) .....	(.35)	(.40)	(.60)	(.65)
Trades on the Open .....	(0.00)	(0.00)	(0.00)	(0.00)

The Exchange believes the increased amounts will incentivize more volume to the Exchange. Specifically, the proposed increased rebates are intended to encourage C2 Market-Makers to quote more often and attract market participants to send orders to the Exchange, which will then incent Takers to trade with those orders and quotes. The Exchange notes that the proposed Maker rebate amounts are similar to and in line with the amounts currently assessed for simple, non-complex orders in equity, multiply-listed index, ETF and ETN options classes at other Exchanges.<sup>4</sup>

## 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.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</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>7</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 the proposed rule change is reasonable because the proposed change provides additional rebates to Makers and is designed to attract additional volume to the Exchange, which benefits all market participants.

The Exchange believes that it is equitable and not unfairly discriminatory to provide higher rebates to Public Customers as compared to other market participants (other than C2 Market-Makers for penny classes) because Public Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Public Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the options industry has a long history of providing preferential pricing to Public Customers. Finally, all fee and rebate amounts listed as applying to Public Customers will be applied equally to all Public Customers.

The Exchange believes that it is equitable and not unfairly discriminatory to provide higher rebates to Market-Makers as compared to other market participants other than Public Customers (for non-penny options) because Market-Makers, unlike other C2 market participants, take on a number of obligations, including quoting obligations, that other market participants do not have. Further, these lower fees and higher rebates offered to Market-Makers are intended to incent Market-Makers to quote and trade more on the Exchange, thereby providing more trading opportunities for all

market participants. Finally, all rebate amounts listed as applying to Market-Makers will be applied equally to all Market-Makers.

The Exchange also believes it is equitable and not unfairly discriminatory to provide lower rebates to all other origins (*i.e.*, Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.). Particularly, the Exchange notes that it believes it's equitable and not unfairly discriminatory to provide lower rebates than it does of Market-Makers, because these market participants do not have the same obligations, such as quoting, as Market-Makers do. The Exchange believes it's equitable and not unfairly discriminatory to assess lower rebate than it does to Public Customers, because, as described above, there is a history of providing preferential pricing to Public Customers as Public Customer liquidity benefits all market participants by providing more trading opportunities. The Exchange notes that the proposed fee and rebate amounts listed will also be applied equally to each of these market participants (*i.e.*, Professional Customers, Firms, Broker/Dealers, non-C2 Market-Makers, JBOs, etc. will be assessed the same amount). It should also be noted that all fee and rebate amounts described herein are intended to attract greater order flow to the Exchange, which should therefore serve to benefit all Exchange market participants.

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to continue to assess no fees and offer no rebates for Trades on the Open because trades on the Open involve the matching of undisplayed pre-opening trading interest. As such, there is, in effect, no Maker or Taker activity occurring. Additionally, the Exchange would like to encourage users to submit pre-opening orders.

14, 2016, the Exchange withdrew that filing and replaced it with this filing.

<sup>4</sup> See *e.g.*, Bats BZX Options Exchange Fee Schedule, Transaction Fees, which lists, for executions in Penny Pilot securities, (1) Customer

Maker rebate of \$0.25 to \$0.53, (2) Market-Maker Maker rebate of \$0.35 to \$0.42, and (3) Firm and Broker Dealer Maker rebate of \$0.36 to \$0.46; and for executions in non-Penny Pilot securities, (1) Customer Maker rebate of \$0.85 to \$1.00, (2)

Market-Maker Maker rebate of \$0.42 to \$0.52, and (3) Firm and Broker Maker rebate of \$0.36 to \$0.67.

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78f(b)(4).

The Exchange lastly believes it's equitable and not unfairly discriminatory to assess higher rebates for non-Penny option classes than Penny option classes because Penny classes and non-Penny classes offer different pricing, liquidity, spread and trading incentives. The spreads in Penny classes are tighter than those in non-Penny classes (which trade in \$0.05 increments). The wider spreads in non-Penny option classes allow for greater profit potential.

#### 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. The Exchange 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, while different rebates are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances (as described in the "Statutory Basis" section above). For example, Public Customers order flow, as discussed above, enhances liquidity on the Exchange for the benefit of all market participants. There is also a history in the options markets of providing preferential treatment to Public Customers. Additionally, Market-Makers have quoting obligations that other market participants do not have.

The Exchange does not believe that the proposed change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange. Further, the proposed rebate amounts are similar to those assessed for similar orders by other exchanges,<sup>8</sup> and therefore should continue to encourage competition. Should the proposed change make C2 a more attractive trading venue for market participants at other exchanges, such market participants may elect to become market participants at C2.

#### 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>9</sup> and paragraph (f) of Rule 19b-4<sup>10</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-C2-2016-013 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.

All submissions should refer to File Number SR-C2-2016-013. 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-C2-2016-013, and should be submitted on or before August 22, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No.34-78419; File No. SR-Phlx-2016-78]

### Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Phlx Rule 754 (Employees' Discretion as to Customers' Accounts)

July 26, 2016.

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 July 14, 2016, NASDAQ PHLX LLC ("Phlx" or "Exchange") 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 Rule 754 of the Phlx rules. The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f).

<sup>8</sup> See supra note 4.