

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 19

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No.* SR - 2013 - * 003

Amendment No. (req. for Amendments *)

Filing by C2 Options Exchange, Incorporated

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 806(e)(1)



Section 806(e)(2)



Section 3C(b)(2)



Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange is proposing to amend its complex order rules.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jennifer Last Name * Lamie
 Title * Assistant Secretary
 E-mail * lamie@cboe.com
 Telephone * (312) 786-7576 Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 01/28/2013

By Jennifer M. Lamie

(Name *)

Assistant Secretary

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1358449841726,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of Proposed Rule Change

(a) The C2 Options Exchange, Incorporated (“C2” or “Exchange”) is proposing to amend its complex order rules. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The C2’s President pursuant to delegated authority approved the proposed rule change on July 16, 2012.

(b) Questions and comments on the proposed rule change may be referred to Joanne Moffic-Silver, 400 South LaSalle Street, Chicago, Illinois 60605; Telephone: (312) 786-7462; Fax: (312) 786-7919 or Jennifer Lamie at (312) 786-7576.

Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The purpose of this proposed rule change is to include a description in Rule 6.13 of the manner in which complex orders are currently processed through the Exchange’s complex order book (“COB”) when the COB opens for trading. Currently the rule does not include this level of detail, so the Exchange is proposing to include this information within the rule to provide additional clarity on the current operation of the COB in response to Trading Permit Holder inquiries about its operation. The Exchange notes that it is simply including additional detail in its rules on the existing process when the COB opens. No changes to the process are being contemplated by this rule change filing.

In particular, the proposed rule change will provide that complex orders, including stock-option orders, do not participate in opening rotations conducted pursuant to Rule 6.11 for individual option series.¹ When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option strategy, when the underlying stock has opened), the COB for that strategy will then open for trading. The COB for a given complex order strategy will open with no trade,² except as follows:

First, the COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market. The resulting execution will occur at the derived net market price to the extent marketable. Any remaining balance would be processed as it would on an intra-day basis as set forth in Rule 6.13 (including being subject to the applicable complex order priority and price check parameter provisions set forth in Rule 6.13). This provision for “legging” against the individual series legs is not applicable to

¹ The Exchange notes that, under the current provisions of Rule 6.11, the Exchange could determine whether to designate various complex order types as eligible for the Rule 6.11 opening process on a class-by-class basis (just as it would for any other order type). See Rule 6.11(a)(1). To date, the Exchange has not determined to include complex orders (including stock-option orders) in the Rule 6.11 opening process (this process has instead been limited to simple orders). With this proposed rule change, SR-C2-2013-003, the Exchange would no longer be permitted to designate complex order (including stock-option order) order types as eligible for the Rule 6.11 opening process. If, in the future, the Exchange would desire to designate certain complex order (including stock-option order) order types as being eligible to participate in the Rule 6.11 opening process, such a determination would be subject to a separate rule change filing.

² For example, the COB would move to an open state with no trade if there are no complex orders resting for the strategy or if there are complex orders on only one side of the COB at a net price(s) that does not touch or cross the derived net market. The “derived net market” for a stock-option order strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The “derived net market” for any other complex order strategy will be calculated using the Exchange’s best bid or offer in the individual series legs.

stock-option order strategies. (Stock-option orders processed through COB generally only trade against other stock-option orders. Stock-option orders processed through COB generally do not trade against individual component option series legs, except in one limited circumstance for market orders at the conclusion of a complex order RFQ auction (“COA”).³)

For example, if the derived net market for a given complex order strategy is \$1.00 - \$1.20 for 100 units and the only interest in the COB is a complex order to buy the strategy at a net debit price of \$1.21 for 120 units, then 100 units of the complex order would trade at a net price of \$1.20 against the individual component series legs and the remaining 20 units of the complex order would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the individual orders and quotes in the electronic book or other complex orders in the COB, execute or cancel if marketable subject the applicable priority and price check parameters).

Second, the COB will open with a trade against complex orders if there are complex orders on both sides of the COB that are marketable against each other and that are priced within the derived net market. The resulting execution will occur at a market clearing price that is inside the derived net market and that matches complex orders to the extent marketable. In determining the priority, the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price.⁴ This provision for complex orders to trade against each other is applicable to stock-option order strategies.

³ See Rule 6.13.06.

⁴ This “market clearing price” process for executing complex orders when the COB opens is similar to the process for executing simple orders when an individual

For example, assume the derived net market for a given complex order strategy is \$1.00 - \$1.20 for 100 units and there is a complex order in the COB to sell the strategy at a net credit price of \$1.19 for 20 units, a complex order in the COB to sell the strategy at a net credit price of \$1.18 for 10 units, and a complex order in COB to buy the strategy at a net debit price of \$1.19 for 50 units. When the COB opens, 30 units of the buy strategy would trade at a net price of \$1.19 against the two sell strategies. The remaining 20 units of the buy strategy would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the individual orders and quotes in the electronic book or other complex orders in the COB, execute or cancel if marketable subject the applicable priority and price check parameters).

As another example, if the derived net market for a given stock-option order strategy is \$5.00 - \$5.20 for 100 units and there is a stock-option order in the COB to sell the strategy at a net credit price of \$5.19 for 20 units, a stock-option order in the COB to sell the strategy at a net credit price of \$5.18 for 10 units, and a stock-option order in COB to buy the strategy at a net debit price of \$5.19 for 50 units, then 30 units of the buy strategy would trade at a net price of \$5.19 against the two sell strategies. The remaining 20 units of the buy strategy would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the derived net market (considering the individual orders and quotes in the electronic book for the component options series legs and the NBBO in the stock leg) or other stock-option orders in the COB, or execute or route for manual processing if marketable subject the applicable priority and price check parameters).

component options series opens. See Rule 6.11(g)(1) (“In determining the priority of orders and quotes to be traded at a single clearing price, the System gives priority to market orders first, then to limit orders and quotes whose price is better than the opening price, and then to resting orders and quotes at the opening price.”)

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)⁵ in general and furthers the objectives of Section 6(b)(5) of the Act⁶ in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. In particular, the Exchange believes that including detail within the rules should provide additional clarity and avoid any confusion on the current operation of the COB open. The Exchange also believes that the operation of the COB increases opportunities for all types of market participants (e.g., public customers, broker-dealers and market-makers) to participate in the trading of complex orders. This participation may promote liquidity and result in better prices for customers throughout the trading day, including when the COB opens.

Item 4. 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. As noted above, the Exchange believes that including detail within the rules should provide additional clarity and avoid any confusion on the current operation of the COB open. The Exchange also believes that the operation of the COB increases opportunities for all types of market participants (e.g., public customers, broker-dealers and market-makers) to participate in the trading of complex orders. This participation may promote liquidity and result in better prices for customers throughout the trading day, including when the COB opens.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act ⁷ and Rule 19b-4(f)(6) thereunder.⁸

(b) The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change.

To the extent applicable, the Exchange requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As indicated above, the Exchange is simply including additional detail in its rules on the existing process when the COB opens in response to Trading Permit Holder inquiries about its operation. No changes to the process are being contemplated by this rule

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

change filing. The Exchange believes that the proposed rule change should provide additional clarity and avoid any confusion on the current operation of the COB open. Waiving the 30-day operative delay will enable the Exchange to implement these clarifying changes to the text as soon as possible and for market participants to derive the benefits sooner. In addition, the Exchange believes that the proposed rule change does not present any new, unique or substantive issues that make the 30-day operative delay specified in Rule 19b-4(f)(6) necessary. Further, the Exchange believes that waiver of the 30-day operative delay requirements is consistent with the protection of investors and the public interest.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or the Commission

The proposed rule change is modeled after a proposed rule change pending for the Chicago Board Options Exchange, Incorporated, SR-CBOE-2012-TBD.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Text of the Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-C2-2013-003)

Dated: _____

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to the Opening of the Complex Order Book

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 _____, the C2 Options Exchange, Incorporated (“Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 is proposing to amend its complex order rules. The text of the proposed rule change is available on the Exchange’s website (<http://www.c2exchange.com/Legal/RuleFilings.aspx>), at the Exchange’s Office of the Secretary and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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 those 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to include a description in Rule 6.13 of the manner in which complex orders are currently processed through the Exchange's complex order book ("COB") when the COB opens for trading. Currently the rule does not include this level of detail, so the Exchange is proposing to include this information within the rule to provide additional clarity on the current operation of the COB in response to Trading Permit Holder inquiries about its operation. The Exchange notes that it is simply including additional detail in its rules on the existing process when the COB opens. No changes to the process are being contemplated by this rule change filing.

In particular, the proposed rule change will provide that complex orders, including stock-option orders, do not participate in opening rotations conducted pursuant to Rule 6.11 for individual option series.⁵ When the last of the individual component option series legs

⁵ The Exchange notes that, under the current provisions of Rule 6.11, the Exchange could determine whether to designate various complex order types as eligible for the Rule 6.11 opening process on a class-by-class basis (just as it would for any other order type). See Rule 6.11(a)(1). To date, the Exchange has not determined to include complex orders (including stock-option orders) in the Rule 6.11 opening

that make up a complex order strategy has opened (and, in the case of a stock-option strategy, when the underlying stock has opened), the COB for that strategy will then open for trading.

The COB for a given complex order strategy will open with no trade,⁶ except as follows:

First, the COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market. The resulting execution will occur at the derived net market price to the extent marketable. Any remaining balance would be processed as it would on an intra-day basis as set forth in Rule 6.13 (including being subject to the applicable complex order priority and price check parameter provisions set forth in Rule 6.13). This provision for “legging” against the individual series legs is not applicable to stock-option order strategies. (Stock-option orders processed through COB generally only trade against other stock-option orders. Stock-option orders processed through COB generally do not trade against individual component option series legs, except in one limited

process (this process has instead been limited to simple orders). With this proposed rule change, SR-C2-2013-003, the Exchange would no longer be permitted to designate complex order (including stock-option order) order types as eligible for the Rule 6.11 opening process. If, in the future, the Exchange would desire to designate certain complex order (including stock-option order) order types as being eligible to participate in the Rule 6.11 opening process, such a determination would be subject to a separate rule change filing.

⁶ For example, the COB would move to an open state with no trade if there are no complex orders resting for the strategy or if there are complex orders on only one side of the COB at a net price(s) that does not touch or cross the derived net market. The “derived net market” for a stock-option order strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The “derived net market” for any other complex order strategy will be calculated using the Exchange’s best bid or offer in the individual series legs.

circumstance for market orders at the conclusion of a complex order RFQ auction (“COA”).⁷⁾

For example, if the derived net market for a given complex order strategy is \$1.00 - \$1.20 for 100 units and the only interest in the COB is a complex order to buy the strategy at a net debit price of \$1.21 for 120 units, then 100 units of the complex order would trade at a net price of \$1.20 against the individual component series legs and the remaining 20 units of the complex order would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the individual orders and quotes in the electronic book or other complex orders in the COB, execute or cancel if marketable subject the applicable priority and price check parameters).

Second, the COB will open with a trade against complex orders if there are complex orders on both sides of the COB that are marketable against each other and that are priced within the derived net market. The resulting execution will occur at a market clearing price that is inside the derived net market and that matches complex orders to the extent marketable. In determining the priority, the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price.⁸ This provision for complex orders to trade against each other is applicable to stock-option order strategies.

⁷ See Rule 6.13.06.

⁸ This “market clearing price” process for executing complex orders when the COB opens is similar to the process for executing simple orders when an individual component options series opens. See Rule 6.11(g)(1)(“In determining the priority of orders and quotes to be traded at a single clearing price, the System gives priority to market orders first, then to limit orders and quotes whose price is better than the opening price, and then to resting orders and quotes at the opening price.”)

For example, assume the derived net market for a given complex order strategy is \$1.00 - \$1.20 for 100 units and there is a complex order in the COB to sell the strategy at a net credit price of \$1.19 for 20 units, a complex order in the COB to sell the strategy at a net credit price of \$1.18 for 10 units, and a complex order in COB to buy the strategy at a net debit price of \$1.19 for 50 units. When the COB opens, 30 units of the buy strategy would trade at a net price of \$1.19 against the two sell strategies. The remaining 20 units of the buy strategy would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the individual orders and quotes in the electronic book or other complex orders in the COB, execute or cancel if marketable subject the applicable priority and price check parameters).

As another example, if the derived net market for a given stock-option order strategy is \$5.00 - \$5.20 for 100 units and there is a stock-option order in the COB to sell the strategy at a net credit price of \$5.19 for 20 units, a stock-option order in the COB to sell the strategy at a net credit price of \$5.18 for 10 units, and a stock-option order in COB to buy the strategy at a net debit price of \$5.19 for 50 units, then 30 units of the buy strategy would trade at a net price of \$5.19 against the two sell strategies. The remaining 20 units of the buy strategy would be subject to processing under Rule 6.13 (e.g., remain in the COB if not marketable against the derived net market (considering the individual orders and quotes in the electronic book for the component options series legs and the NBBO in the stock leg) or other stock-option orders in the COB, or execute or route for manual processing if marketable subject the applicable priority and price check parameters).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act⁹ in general and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. In particular, the Exchange believes that including detail within the rules should provide additional clarity and avoid any confusion on the current operation of the COB open. The Exchange also believes that the operation of the COB increases opportunities for all types of market participants (e.g., public customers, broker-dealers and market-makers) to participate in the trading of complex orders. This participation may promote liquidity and result in better prices for customers throughout the trading day, including when the COB opens.

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. As noted above, the Exchange believes that including detail within the rules should provide additional clarity and avoid any confusion on the current operation of the COB open. The Exchange also believes that the operation of the COB increases opportunities for all types of market participants (e.g., public customers, broker-dealers and market-makers) to participate in the trading of complex orders. This participation may promote liquidity and result in better prices for customers throughout the trading day, including when the COB opens.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

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 proposal.

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

Because the foregoing rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² At any time within 60 days of the filing of such 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, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

- 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-C2-2013-003 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-C2-2013-003. 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 am and 3:00 pm. 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-

C2-2013-003 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.¹³

Dated: _____

Elizabeth M. Murphy
Secretary

¹³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Text of the Proposed Rule Change

(additions are underlined)

* * * * *

C2 Options Exchange, Incorporated
Rules

* * * * *

Rule 6.13 – Complex Order Execution

* * * * *

. . . Interpretations and Policies:

* * * * *

.07 Execution of Complex Orders on the COB Open: Complex orders, including stock-option orders, do not participate in opening rotations for individual component option series legs conducted pursuant to Rule 6.11. When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option order, the underlying stock has opened), the COB for that strategy will open. The COB will open with no trade, except as follows:

(a) The COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market. The resulting execution will occur at the derived net market price to the extent marketable. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.13. (This paragraph (a) is not applicable to stock-option orders because stock-option orders do not trade against the individual component option series legs when the COB opens.)

(b) The COB will open with a trade against complex orders if there are complex orders in the COB that are marketable against each other and priced within the derived net market. The resulting execution will occur at a market clearing price that is inside the derived net market and that matches complex orders to the extent marketable. In determining the priority, the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.13. (This paragraph (b) is applicable to stock-option orders.)

(c) The “derived net market” for a stock-option order strategy will be calculated using the Exchange’s best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The “derived net market” for any other complex order strategy will be calculated using the Exchange’s best bid or offer in the individual option series legs.

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