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Page 1 of * 40	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 025 Amendment No. (req. for Amendments *)
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Filing by C2 Options Exchange, Incorporated
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <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 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Proposed rule change related to complex orders.

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 * Laura Last Name * Dickman
 Title * Senior Attorney
 E-mail * Dickman@cboe.com
 Telephone * (312) 786-7572 Fax

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 10/12/2015 Attorney
 By Kyle Edwards

(Name *)

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.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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 *

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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 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

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

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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

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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 the Proposed Rule Change

(a) C2 Options Exchange, Incorporated (the “Exchange” or “C2”) proposes to amend Rule 6.13. 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 Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on October 9, 2015.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, (312) 786-7462, or Laura G. Dickman, (312) 786-7572, C2 Options Exchange, Incorporated, 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The Exchange proposes to amend Rule 6.13 regarding complex orders. The proposed rule change (1) amends the rule provisions regarding the initiation of a complex order auction (“COA”), (2) adds rule provisions regarding the impact of certain incoming orders and changes in the leg markets on an ongoing COA, and (3) amends the rule provision related to the size of COA responses. The proposed rule change also makes technical and other nonsubstantive changes.

First, the Exchange proposes to amend Rule 6.13 and Interpretation and Policy .02 regarding the initiation of a COA. Currently, C2 Rule 6.13(c)(2) provides that on

receipt of a COA-eligible order¹ and request from the Participant representing the order that it be processed through COA, the Exchange will send request for response (“RFR”) message to all Participants who have elected to receive RFR messages.² Interpretation and Policy .02(a) states that with respect to the initiation of a COA, Participants routing complex orders directly to the complex order book (“COB”) may request that the complex orders be processed by COA on a class-by-class basis. Currently, all Participants have requested that all of their COA-eligible orders process through COA upon entry into the System. Therefore, rather than have Participants affirmatively request that their COA-eligible orders COA, the Exchange proposes to amend Rule 6.13(c)(2) to provide that incoming COA-eligible orders will COA by default.³

The Exchange believes Participants should still maintain flexibility to have their COA-eligible orders not COA. In order to provide Participants with this flexibility, the proposed rule change adds that, notwithstanding the foregoing, Participants may request on an order-by-order basis that a COA-eligible order not COA (referred to as a “do-not-COA” request). Because of this proposed rule change, the Exchange deletes the language

¹ A “COA-eligible order” means a complex order that, as determined by the Exchange on class-by-class basis, is eligible for a COA considering the order’s marketability (defined as a number of tickets away from the current market), size, complex order type and complex order origin types. Currently, in all classes, (a) only complex orders with origin codes for public and professional customers, (b) all complex order types except for immediate-or-cancel (“IOC”) orders, and (c) marketable orders and “tweeners” limit orders bettering the same side of the derived net market are eligible for COA.

² “RFR” stands for a “request for responses” that occurs in the COA process. The RFR message will identify the component series, the size and side of the market of the COA-eligible order and any contingencies if applicable.

³ This proposed rule change applies to all COA-eligible orders in all classes. Stock-option orders are currently not permitted on C2. The proposed rule change does not change the allocation or priority provisions of complex orders. The proposed rule change also makes a nonsubstantive change to move language regarding the System sending RFR messages to the beginning of the provision.

in Interpretation and Policy .02(a) that indicates Participants may request that complex orders be processed by COA on a class-by-class basis, as it is no longer necessary.⁴ While the proposed rule change will not permit Participants to not COA orders on a class-by-class basis, the Exchange believes that it will not burden Participants because they have not requested this in the past. Additionally, allowing Participants to make a do-not-COA request on an order-by-order basis will better allow them to make decisions regarding the handling of their orders based on market conditions at the time they submit their orders.

While the proposed rule change provides that Participants may include a do-not-COA request on complex orders, the proposed rule change indicates that an order with a do-not-COA request may still COA after it has rested on the COB pursuant to Interpretation and Policy .02.⁵ The Exchange believes that Participants that include a do-not-COA request for an order upon entry into the System do so to receive automatic execution with the leg market or the COB, as applicable, without the delay of the COA.⁶ However, if that does not occur and the order enters the COB to rest, the Exchange believes it is appropriate to COA the order after resting on the COB (if that functionality has been activated for the class) to try and obtain an execution even though the

⁴ The proposed rule change deletes Interpretation and Policy .02(a) in order to include all information regarding the initiation of a COA in subparagraph (c)(2) in the same place within the rule. As a result, the proposed rule change deletes the lettering for paragraph (b), which will be the only remaining provision in Interpretation and Policy .02. The proposed rule change makes nonsubstantive changes to Rule 6.13(c) as well, including a change to conform heading punctuation to that used in other headings and deletion of an extra space.

⁵ Interpretation and Policy .02(b) (which the proposed rule change amends to become Interpretation and Policy .02) provides that the Exchange may determine on a class-by-class basis to automatically COA nonmarketable orders resting at the top of the COB if they are within a number of ticks away from the current derived net market.

⁶ The current COA response time interval is 75 milliseconds.

Participant initially did not want the order to COA, as the COA will not delay execution at that point.

The Exchange notes that an order with a do-not-COA request will still have execution opportunities. For example, such an order may execute automatically upon entry into the System against the leg markets or complex orders on the COB to the extent marketable (in accordance with allocation rules set forth in Rule 6.13). Additionally, pursuant to Rule 6.13(c)(8)(A), such an order on the opposite side of and marketable against a COA-eligible order may trade against the COA-eligible order if the System receives the order while a COA is ongoing. A do-not-COA request merely provides the order with the opportunity to execute upon entry into the System rather than after going through an auction; the order will be subject to the same priority and allocation rules.⁷

Second, the proposed rule change adds subparagraphs Rule 6.13(c)(8)(D) and (E) to describe additional circumstances that will cause a COA to end early.⁸ Proposed subparagraph (8)(D) describes how an incoming order with a do-not-COA request or that is not COA-eligible may impact an ongoing COA. Rule 6.13(c)(8) currently describes the handling of unrelated complex orders that are received prior to the expiration of the

⁷ A complex order that COAs upon entry into the System or after resting in the COB will not miss any execution opportunities. Pursuant to current Interpretation and Policy .02(b), an order that COAs after resting on the COB will be nonmarketable and at the top of the COB (and thus is the best-priced complex order at the time). Rule 6.13(c)(8) (including as amended by this rule filing, as further discussed below) describes how incoming complex orders received during a COA impact the COA, including providing that the COA'd order (which may be an order that COAs upon entry into the System or after resting in the COB) will have time priority over the incoming order, and ultimately provides that a COA'd order will not lose execution opportunities to complex orders submitted during the COA.

⁸ The proposed rule change makes corresponding changes to the heading and introductory paragraph of subparagraph (c)(8).

COA Response Time Interval.⁹ The proposed rule change states that if an order with a do-not-COA request or an order that is not COA-eligible is received prior to the expiration of the Response Time Interval for the original COA and is on the same side of the market and at a price better than or equal to the starting price, then the original COA will end. Similar to the current provisions regarding incoming unrelated COA-eligible orders on the same side of the COA-eligible order (and at a price better than or equal to the starting price), the processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same¹⁰ with the addition that the priority of the original COA-

⁹ Rule 6.13(c)(8) states that incoming complex orders that are received prior to the expiration of the response time interval for a COA-eligible order (the “original COA”) will impact the original COA as follows: (a) incoming complex orders that are received prior to the expiration of the response time interval for the original COA that are on the opposite side of the market and are marketable against the starting price of the original COA-eligible order will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same. (The “starting price” means the better of the original COA-eligible order’s limit price or the best price, on a net debit or credit basis, that existed in the Book or COB at the beginning of the response time interval.) (b) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are on the same side of the market, at the same price or worse than the original COA-eligible order and better than or equal to the starting price will join the original COA. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order(s) will be according to time priority. (c) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are on the same side of the market and at a better price than the original COA-eligible order will join the original COA, cause the original COA to end, and a new COA to begin for any remaining balance on the incoming COA-eligible order. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order will be according to time priority.

¹⁰ Rule 6.13(c)(4) through (c)(6) provides that at the expiration of the response time interval, the COA-eligible order will trade with orders and quotes in the following order: (a) individual orders and quotes residing in the book (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), (b) public customer complex orders resting in the COB before, or that are received during, the response time interval and public customer RFR responses (with allocation

eligible order and the order with the do-not-COA request or the order that is not COA-eligible, as applicable, will be according to time priority. In other words, the COA-eligible order would trade before the order with the do-not-COA request or order that is not COA-eligible, regardless of the price of each order.¹¹ The purpose of this proposed provision (as it is for the current provisions related to unrelated complex orders) is to prevent the order with the do-not-COA request or the order that is not COA-eligible,¹² as applicable, from executing prior to the original COA-eligible order, which, if it did not COA, may have executed or entered the COB (because it would have entered the COB first, it potentially would have priority over the incoming order to the extent the algorithm applicable to the class considered time as a factor for allocation).

For example, assume that a COA-eligible order to buy with a net limit price of \$1.20 is received when the book or COB price (and thus the starting price) is a net price bid of \$1.10. The System will initiate a COA at a net price of \$1.10. An incoming order with a do-not-COA request to buy at a net price of \$1.10 or higher causes the original

according to time priority), (c) nonpublic customer orders resting in the COB before the response time interval (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), and (d) nonpublic customer orders resting in the COB that are received during the response time interval and nonpublic customer responses (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components). If a COA-eligible order cannot be filled in whole or in a permissible ratio, the order (or any remaining balance) will route to the COB. Thus, the unrelated no-COA order or the order that is not COA-eligible will have execution opportunities against the leg markets, complex orders in the COB and COA responses, with priority after the original COA-eligible order.

¹¹ This time priority is the same provided to COA-eligible orders over incoming orders in subparagraphs (c)(8)(B) and (C).

¹² Current paragraph (c)(8) currently addresses the impact of incoming COA-eligible orders on the same side of the original COA-eligible order. The proposed rule change adds detail regarding the impact of orders that are not COA-eligible and orders with a do-not-COA request. The Exchange believes this provides a more complete description in its rules regarding the impact of unrelated complex orders received during a COA.

COA to end. To the extent possible, the original COA-eligible order will be filled first, and then the order with the do-not-COA request will be filled (subject to the COA allocation provisions describe above).¹³ Any remaining balance on the original COA-eligible order or the incoming no-COA order will route to COB. The Exchange believes this result to be appropriate, even if the incoming order with the do-not-COA request had a higher buy price than the COA-eligible order (e.g. \$1.21), because if the COA-eligible order had not initiated a COA and was marketable at the time it was entered (for example, if the offer in the book was \$1.15), it could have executed against the book before the order was entered. Providing the COA-eligible order with time priority is intended to ensure it does not miss an execution opportunity it would have otherwise received if it had not initiated a COA.

Proposed subparagraph (8)(E) provides that if the leg markets were not marketable against a COA-eligible order when the order entered the System (and thus prior to the initiation of a COA) but became marketable with the COA-eligible order prior to the expiration of the Response Time Interval, it will cause the COA to end.¹⁴ The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same.

For example, assume that the net leg market is \$1.00 to \$1.05. A COA-eligible order to buy at a net price of \$1.02 is entered and initiates a COA. During the COA (prior to the end of the Response Time Interval), the leg market offer changes to \$1.01. Because this is marketable against the COA-eligible order, this change in the leg markets

¹³ See id.

¹⁴ This is similar to the result described in subparagraph (8)(A), which provides that an incoming complex order on the opposite side of the market as and marketable against the COA-eligible order will cause the COA to end.

will cause the COA to end. Assuming the leg market offer price of \$1.01 is the best price at the end of the COA,¹⁵ the COA-eligible order will execute against the leg markets at that price, and any remainder will then trade against complex orders in the COB and auction responses. If a complex order to buy was resting on the COB (for example, at a price of \$1.01) at the initiation of the COA (for example, a do-not-COA order or an order that is not COA-eligible),¹⁶ that order and the COA-eligible order would be allocated against the leg markets in the same manner as any other two complex orders pursuant to Rule 6.53C(c)(ii) regarding COB executions, which is by price and then pursuant to the rules of trading priority otherwise applicable to incoming orders in the individual component legs. The COA-eligible order would always have priority over the resting order, as it would always have a higher (if a buy order) or lower (if a sell order) price than the resting order.

In the example above, if a complex order to buy at \$1.01 was resting in the COB at the time the COA-eligible order to buy at \$1.02 entered the System and initiated the COA, and the same change in the leg markets occurs, assuming the leg market offer price of \$1.01 is the best price at the end of the COA, the COA-eligible order will trade against the leg offer at \$1.01 first, because it was entered at (and thus willing to pay) a better price than the resting complex order (to the extent there was insufficient size in the leg

¹⁵ The leg market offer would be the best price at the end of the COA if no auction response, order resting in the COB, or order that entered the System during the COA had a better price.

¹⁶ As previously indicated, only orders that are marketable or that improve the price on the same side of the market initiate a COA. See supra note 1. Thus, for there to be a situation where a complex order was already resting on the COB at the initiation of a COA, the order resting on the COB would be at a worse price than the COA-eligible order that initiated the COA. If there is a complex order resting on the COB when that is on the same side and at the same or better price than an incoming complex order, then the incoming order will not COA and will also enter on the COB.

markets to fill the COA-eligible order, the remainder would then execute against complex orders in the COB and auction responses). If there is sufficient size left in the leg markets to trade against the resting complex order, then the resting order will also trade (in full or in a permissible ratio).

Third, the proposed rule amends Rule 6.13(c)(3)(A) to delete the language that RFR responses are limited to the size of the COA-eligible order for allocation purposes. If the allocation algorithm for complex orders in a class is pro-rata, the System is unable to block RFR responses that are larger than the size of the COA-eligible order. This proposed rule change will result in the rule regarding RFR responses more accurately reflecting current System functionality. The Exchange notes that RFR responses must continue to be on the opposite side of the market of the COA-eligible order and be expressed in the applicable minimum increment. RFR responses will be subject to the same allocation and priority rules. Pursuant to Rule 6.13(c)(7), RFR responses are firm with respect to the COA-eligible order for which the responses are submitted, provided that responses that exceed the size of a COA-eligible order are also eligible to trade with other incoming COA-eligible orders that are received during the Response Time Interval.¹⁷

¹⁷ Please note that the System currently accepts RFR responses that exceed the size of COA-eligible order. The intent of the provision proposed to be deleted was to consider the size of any response that did exceed the size of the COA-eligible order to the size of that order for allocation purposes (for example, if a COA-eligible order is for 200, and a response is for 500, the System considers the size to be 500 when allocating orders and responses against the COA-eligible order, rather than considering the size to be 200). However, the System is unable to do this, and thus excess-sized responses are considered at that size for allocation purposes. However, the excess size of responses is still eligible to trade as set forth in Rule 6.13(c)(7). Additionally, Participants continue to be subject to all rules related to business conduct, including Rule 4.1 related to just and equitable principles of trade and Rule 4.7 related to manipulation (which rules are incorporated into

Finally, the proposed rule change makes technical and other nonsubstantive changes. Currently, Interpretation and Policy .05 provides that the Exchange may determine on a class-by-class basis (and announce via Regulatory Circular) which electronic allocation algorithm from Rule 6.12 will apply to complex orders in lieu of Rule 6.13(b)(1)(B) for COB executions and/or (Rule 6.13(c)(5)(B) through (D) for COA. The proposed rule change moves that language from Interpretation and Policy .05 to those paragraphs.¹⁸ The Exchange believes it is simpler and more convenient to have the information regarding how COB and COA executions may allocate in one place within the rules.¹⁹ The Exchange also amends Rule 6.13(c)(5)(B) and (D) to add responses in the second sentence of each subparagraph. Those subparagraphs address the allocation of COA-eligible orders against certain orders and responses (as indicated in the initial sentence of each subparagraph), and the proposed rule change is consistent with that purpose. Additional nonsubstantive changes to Rule 6.13 are discussed above.

C2's rules by reference to Chicago Board Options Exchange, Incorporated Rules 4.1 and 4.7).

¹⁸ The proposed rule change makes a corresponding change to Interpretation and Policy .06(c), which relates to executions of stock-options orders (types of complex orders) in the COB. The proposed rule change also deletes the rule text that states that in such classes, the orders and quotes in the individual leg series legs will continue to have the same priority as set forth in Rule 6.13(b)(1)(A) for COB and Rule 6.13(c)(5)(A) for COA, as the Exchange believes this language is duplicative. Those paragraphs continue to state that complex orders that trade with orders and quotes in the Book (whether through COB or COA) will be allocated in accordance with the trading priority applicable in the individual component legs, with no discretion for the Exchange to change the allocation algorithm for those executions.

¹⁹ The proposed rule change also deletes the language that the Exchange may announce this determination by Regulatory Circular, as Rule 6.13, Interpretation and Policy .01 indicates that the Exchange will announce by Regulatory Circular all determinations it makes under Rule 6.13, which includes the determination of allocation algorithms for COB and COA.

(b) 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.²⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²¹ 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 the Section 6(b)(5)²² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change removes impediments to a free and open market and protects investors by providing Participants with more flexibility regarding when complex orders will not COA. The proposed rule change removes the affirmative obligation currently imposed on Participants to request that their COA-eligible orders COA on a class-by-class basis, as Participants currently request that all of their COA-eligible orders COA upon entry into the System. Therefore, the proposed rule change to have COA as the default setting for COA-eligible orders will have no impact on COA-eligible orders submitted to the Exchange. The proposed rule change will allow

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

²² Id.

Participants to evaluate then-current market conditions and determine if they do not want to COA orders based on those conditions and instead want those orders to route to the COB for potential immediate execution. These orders with do-not COA requests will continue to have execution opportunities and be subject to the same priority and allocation rules. In addition, the proposed rule change promotes just and equitable principles of trade and promotes competition because another options exchange has a substantially similar rule, as further described below, which similarly allows members to designate that orders not initiate a complex order auction on that exchange.²³

The current rules describe how COA-eligible orders received while a COA is ongoing would impact the COA. The proposed rule change also adds detail regarding how incoming orders with do-not-COA requests or that are not COA-eligible, as well as how changes in the leg markets, may impact ongoing COAs, which protects investors by enhancing the description in C2 Rules of current COA functionality and circumstances that may cause a COA to end early. Because the proposed rule change adds a provision regarding no-COA orders to the C2 Rules, the Exchange believes it is appropriate to add the provision regarding how no-COA orders would impact a COA to the C2 Rules as well to ensure investors understand how these orders may impact a COA. The Exchange believes the proposed rule change promotes just and equitable principles of trade because, if these orders cause a COA to end, any executions that occur following the COA occur in accordance with allocation principles in place, subject to an exception that the original COA-eligible order receive time priority. This exception prevents an order

²³ See NASDAQ OMX PHLX LLC (“PHLX”) Rule 1080, Commentary .07(a)(viii) and (e) (describing the complex order live auction (“COLA”) process and “do not auction” orders).

that was entered after the initiation of a COA from trading ahead of an order with the same price that may have executed or entered the COB if it did not COA. Similarly, the Exchange believe it is fair for a COA-eligible order that was entered at a better price than an order that was resting in the COB prior to initiation of the COA to execute against leg markets that become marketable against the COA-eligible order and resting order during the COA, because the Participant who entered the COA-eligible order was willing to pay a better price than that of the resting order. Incoming orders that do not COA and leg market changes impact a COA in a substantially similar manner as incoming COA-eligible orders; the proposed rule change just applies to different order types not covered by the current Rules. This proposed change does not substantively change the COA or allocation process.

The proposed rule change to delete the provision limiting the size of RFR responses to the size of the COA-eligible order further perfects the mechanism of a free and open market and protects investors because it more accurately describes current System functionality. RFR responses will be subject to the same allocation and priority rules, and COA will continue to function in the same manner. The Exchange notes that the rule related to the complex order auctions of another exchange does not limit responses size to the size of the auctioned order.²⁴ The proposed rule change to reorganize certain provisions eliminates potential confusion regarding the processing of complex orders, which further benefits and protects investors.

Item 4. 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.

²⁴ See id.

The proposed rule change, including the ability to designate orders to not COA, is available to all Participants. The Exchange believes the proposed rule change provides Participants with more flexibility with respect to the submission of their complex orders. The proposed rule change also eliminates the affirmative obligation imposed on Participants to request that COA-eligible orders COA, which they all do for all classes. While Participants may need to undertake system work to allow them to include a do-not-COA request on orders, use of this designation is voluntary. C2 believes this flexibility may promote competition by encouraging submission of complex orders to the Exchange. To the extent that proposed rule change makes C2 a more attractive marketplace to market participants on other exchanges, such market participants may elect to send orders to C2 to take advantage of the additional functionality. Additionally, other exchanges may determine to provide similar functionality and further enhance competition. The Exchange also notes that another options exchange has substantially similar provisions as the proposed rule change, as described above.

The proposed rule change to add detail to the rules regarding the impact of changes in the leg markets on a COA describes current functionality and is merely intended to enhance the description of this functionality in the Rules, and thus has no impact on competition. The nonsubstantive and technical changes have no impact on competition.

Item 5. 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.

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) or Section 19(b)(7)(D)

Not applicable.

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

The proposed rule changes that the System will automatically initiate a COA for a COA-eligible order unless a Participant enters an order with a do-not-COA request and that the size of RFR responses are not limited to the size of the COA-eligible order are substantially similar to PHLX Rule 1080, Commentary .07(a)(viii) and (e). That rule provides that the PHLX system will initiate a COLA (a price improvement auction substantially similar to COA) upon receipt of a COLA-eligible order. That rule also provides that a PHLX member may add the term “do not auction” to an order, which will prevent the order from triggering a COLA. That rule contains no provision that limits the size of the auction response to the size of the auctioned order. The Exchange notes that while COLA is substantially similar to COA, PHLX rules indicate that COLA messages are sent to all PHLX participants, while C2 rules indicate that COA messages are sent to Participants that elected to receive those messages. The Exchange does not believe this difference is material, because all Participants have the opportunity to receive COA messages. The Exchange believes allowing Participants to elect to receive COA messages is efficient, because it eliminates unnecessary messages being sent to and received by Participants that do not want to participate in COAs.

Additionally, the Exchange notes that PHLX rules allow all members to respond to COLAs, while C2 rules allow Market-Makers with an appointment in the relevant class and Participants acting as agent for orders resting at the top of the COB to respond to COAs unless the Exchange determines to allow all Participants to respond to COAs (on a class-by-class basis). Currently, C2 allows all Participants to respond to COAs in all classes; thus, there is currently no difference between COA and COLA with respect to who may respond to the auctions.

The PHLX rules do not include provisions similar to proposed Rule 6.13(c)(8)(D) or (E) regarding how incoming orders that do not COA or changes to the leg markets during a COA impact an ongoing COA. C2 believes including this provision in its Rules is appropriate because Rule 6.13(c)(8) already includes certain circumstances that will cause a COA to end early. The proposed rule change adds detail to the Rules, which will ultimately benefit investors, as they will better understand COA functionality. Because the PHLX rules do not include this detail, it is unclear whether orders that do not COLA on PHLX would similarly end a COLA. Even if these types of orders impacted a COLA on PHLX differently than they would impact a COA on CBOE, does believe any such difference would be significant, as the functionality of the do-not-COA order is still substantially the same.

Finally, the Exchange notes that PHLX rules provide that COLA responses (referred to as COLA Sweeps in those rules) are firm against other COLA responses and other interest received during a COLA, in addition to being firm against other incoming COLA-eligible orders. RFR Responses are firm only against other incoming COA-eligible orders. While COLA responses are thus firm against additional types of interest entered during a

COLA than COA responses are firm against, the Exchange does not believe this difference is significant or has an impact on the proposed rule change that would cause COA-eligible orders with two legs to COA by default. Participants submit RFR responses with the intent of trading against the order in the COA, as the initiation of the COA is what prompts those responses. Participants have the option of submitting complex orders to the extent they are interested in trading against other interest during a COA.

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. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-C2-2015-025]

[Insert date]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Complex Orders

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 [insert date], 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 proposed to amend Rule 6.13. The text of the proposed rule change is available on the Exchange’s website (<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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Rule 6.13 regarding complex orders. The proposed rule change (1) amends the rule provisions regarding the initiation of a complex order auction (“COA”), (2) adds rule provisions regarding the impact of certain incoming orders and changes in the leg markets on an ongoing COA, and (3) amends the rule provision related to the size of COA responses. The proposed rule change also makes technical and other nonsubstantive changes.

First, the Exchange proposes to amend Rule 6.13 and Interpretation and Policy .02 regarding the initiation of a COA. Currently, C2 Rule 6.13(c)(2) provides that on receipt of a COA-eligible order³ and request from the Participant representing the order that it be processed through COA, the Exchange will send request for response (“RFR”) message to all Participants who have elected to receive RFR messages.⁴ Interpretation and Policy .02(a) states that with respect to the initiation of a COA, Participants routing complex orders directly to the complex order book (“COB”) may request that the

³ A “COA-eligible order” means a complex order that, as determined by the Exchange on class-by-class basis, is eligible for a COA considering the order’s marketability (defined as a number of tickets away from the current market), size, complex order type and complex order origin types. Currently, in all classes, (a) only complex orders with origin codes for public and professional customers, (b) all complex order types except for immediate-or-cancel (“IOC”) orders, and (c) marketable orders and “tweeners” limit orders bettering the same side of the derived net market are eligible for COA.

⁴ “RFR” stands for a “request for responses” that occurs in the COA process. The RFR message will identify the component series, the size and side of the market of the COA-eligible order and any contingencies if applicable.

complex orders be processed by COA on a class-by-class basis. Currently, all Participants have requested that all of their COA-eligible orders process through COA upon entry into the System. Therefore, rather than have Participants affirmatively request that their COA-eligible orders COA, the Exchange proposes to amend Rule 6.13(c)(2) to provide that incoming COA-eligible orders will COA by default.⁵

The Exchange believes Participants should still maintain flexibility to have their COA-eligible orders not COA. In order to provide Participants with this flexibility, the proposed rule change adds that, notwithstanding the foregoing, Participants may request on an order-by-order basis that a COA-eligible order not COA (referred to as a “do-not-COA” request). Because of this proposed rule change, the Exchange deletes the language in Interpretation and Policy .02(a) that indicates Participants may request that complex orders be processed by COA on a class-by-class basis, as it is no longer necessary.⁶ While the proposed rule change will not permit Participants to not COA orders on a class-by-class basis, the Exchange believes that it will not burden Participants because they have not requested this in the past. Additionally, allowing Participants to make a do-not-COA request on an order-by-order basis will better allow them to make decisions

⁵ This proposed rule change applies to all COA-eligible orders in all classes. Stock-option orders are currently not permitted on C2. The proposed rule change does not change the allocation or priority provisions of complex orders. The proposed rule change also makes a nonsubstantive change to move language regarding the System sending RFR messages to the beginning of the provision.

⁶ The proposed rule change deletes Interpretation and Policy .02(a) in order to include all information regarding the initiation of a COA in subparagraph (c)(2) in the same place within the rule. As a result, the proposed rule change deletes the lettering for paragraph (b), which will be the only remaining provision in Interpretation and Policy .02. The proposed rule change makes nonsubstantive changes to Rule 6.13(c) as well, including a change to conform heading punctuation to that used in other headings and deletion of an extra space.

regarding the handling of their orders based on market conditions at the time they submit their orders.

While the proposed rule change provides that Participants may include a do-not-COA request on complex orders, the proposed rule change indicates that an order with a do-not-COA request may still COA after it has rested on the COB pursuant to Interpretation and Policy .02.⁷ The Exchange believes that Participants that include a do-not-COA request for an order upon entry into the System do so to receive automatic execution with the leg market or the COB, as applicable, without the delay of the COA.⁸ However, if that does not occur and the order enters the COB to rest, the Exchange believes it is appropriate to COA the order after resting on the COB (if that functionality has been activated for the class) to try and obtain an execution even though the Participant initially did not want the order to COA, as the COA will not delay execution at that point.

The Exchange notes that an order with a do-not-COA request will still have execution opportunities. For example, such an order may execute automatically upon entry into the System against the leg markets or complex orders on the COB to the extent marketable (in accordance with allocation rules set forth in Rule 6.13). Additionally, pursuant to Rule 6.13(c)(8)(A), such an order on the opposite side of and marketable against a COA-eligible order may trade against the COA-eligible order if the System receives the order while a COA is ongoing. A do-not-COA request merely provides the

⁷ Interpretation and Policy .02(b) (which the proposed rule change amends to become Interpretation and Policy .02) provides that the Exchange may determine on a class-by-class basis to automatically COA nonmarketable orders resting at the top of the COB if they are within a number of ticks away from the current derived net market.

⁸ The current COA response time interval is 75 milliseconds.

order with the opportunity to execute upon entry into the System rather than after going through an auction; the order will be subject to the same priority and allocation rules.⁹

Second, the proposed rule change adds subparagraphs Rule 6.13(c)(8)(D) and (E) to describe additional circumstances that will cause a COA to end early.¹⁰ Proposed subparagraph (8)(D) describes how an incoming order with a do-not-COA request or that is not COA-eligible may impact an ongoing COA. Rule 6.13(c)(8) currently describes the handling of unrelated complex orders that are received prior to the expiration of the COA Response Time Interval.¹¹ The proposed rule change states that if an order with a

⁹ A complex order that COAs upon entry into the System or after resting in the COB will not miss any execution opportunities. Pursuant to current Interpretation and Policy .02(b), an order that COAs after resting on the COB will be nonmarketable and at the top of the COB (and thus is the best-priced complex order at the time). Rule 6.13(c)(8) (including as amended by this rule filing, as further discussed below) describes how incoming complex orders received during a COA impact the COA, including providing that the COA'd order (which may be an order that COAs upon entry into the System or after resting in the COB) will have time priority over the incoming order, and ultimately provides that a COA'd order will not lose execution opportunities to complex orders submitted during the COA.

¹⁰ The proposed rule change makes corresponding changes to the heading and introductory paragraph of subparagraph (c)(8).

¹¹ Rule 6.13(c)(8) states that incoming complex orders that are received prior to the expiration of the response time interval for a COA-eligible order (the "original COA") will impact the original COA as follows: (a) incoming complex orders that are received prior to the expiration of the response time interval for the original COA that are on the opposite side of the market and are marketable against the starting price of the original COA-eligible order will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same. (The "starting price" means the better of the original COA-eligible order's limit price or the best price, on a net debit or credit basis, that existed in the Book or COB at the beginning of the response time interval.) (b) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are on the same side of the market, at the same price or worse than the original COA-eligible order and better than or equal to the starting price will join the original COA. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order(s) will be according to time priority. (c) Incoming COA-eligible orders that are received prior to the expiration of the response time interval for the original COA that are

do-not-COA request or an order that is not COA-eligible is received prior to the expiration of the Response Time Interval for the original COA and is on the same side of the market and at a price better than or equal to the starting price, then the original COA will end. Similar to the current provisions regarding incoming unrelated COA-eligible orders on the same side of the COA-eligible order (and at a price better than or equal to the starting price), the processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same¹² with the addition that the priority of the original COA-eligible order and the order with the do-not-COA request or the order that is not COA-eligible, as applicable, will be according to time priority. In other words, the COA-eligible order would trade before the order with the do-not-COA request or order that is not COA-eligible, regardless of the price of each order.¹³ The purpose of this proposed

on the same side of the market and at a better price than the original COA-eligible order will join the original COA, cause the original COA to end, and a new COA to begin for any remaining balance on the incoming COA-eligible order. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order will be according to time priority.

¹² Rule 6.13(c)(4) through (c)(6) provides that at the expiration of the response time interval, the COA-eligible order will trade with orders and quotes in the following order: (a) individual orders and quotes residing in the book (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), (b) public customer complex orders resting in the COB before, or that are received during, the response time interval and public customer RFR responses (with allocation according to time priority), (c) nonpublic customer orders resting in the COB before the response time interval (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components), and (d) nonpublic customer orders resting in the COB that are received during the response time interval and nonpublic customer responses (with allocation consistent with the trading priority applicable to incoming orders in the individual leg components). If a COA-eligible order cannot be filled in whole or in a permissible ratio, the order (or any remaining balance) will route to the COB. Thus, the unrelated no-COA order or the order that is not COA-eligible will have execution opportunities against the leg markets, complex orders in the COB and COA responses, with priority after the original COA-eligible order.

¹³ This time priority is the same provided to COA-eligible orders over incoming

provision (as it is for the current provisions related to unrelated complex orders) is to prevent the order with the do-not-COA request or the order that is not COA-eligible,¹⁴ as applicable, from executing prior to the original COA-eligible order, which, if it did not COA, may have executed or entered the COB (because it would have entered the COB first, it potentially would have priority over the incoming order to the extent the algorithm applicable to the class considered time as a factor for allocation).

For example, assume that a COA-eligible order to buy with a net limit price of \$1.20 is received when the book or COB price (and thus the starting price) is a net price bid of \$1.10. The System will initiate a COA at a net price of \$1.10. An incoming order with a do-not-COA request to buy at a net price of \$1.10 or higher causes the original COA to end. To the extent possible, the original COA-eligible order will be filled first, and then the order with the do-not-COA request will be filled (subject to the COA allocation provisions describe above).¹⁵ Any remaining balance on the original COA-eligible order or the incoming no-COA order will route to COB. The Exchange believes this result to be appropriate, even if the incoming order with the do-not-COA request had a higher buy price than the COA-eligible order (e.g. \$1.21), because if the COA-eligible order had not initiated a COA and was marketable at the time it was entered (for example, if the offer in the book was \$1.15), it could have executed against the book before the order was entered. Providing the COA-eligible order with time priority is

orders in subparagraphs (c)(8)(B) and (C).

¹⁴ Current paragraph (c)(8) currently addresses the impact of incoming COA-eligible orders on the same side of the original COA-eligible order. The proposed rule change adds detail regarding the impact of orders that are not COA-eligible and orders with a do-not-COA request. The Exchange believes this provides a more complete description in its rules regarding the impact of unrelated complex orders received during a COA.

¹⁵ See id.

intended to ensure it does not miss an execution opportunity it would have otherwise received if it had not initiated a COA.

Proposed subparagraph (8)(E) provides that if the leg markets were not marketable against a COA-eligible order when the order entered the System (and thus prior to the initiation of a COA) but became marketable with the COA-eligible order prior to the expiration of the Response Time Interval, it will cause the COA to end.¹⁶ The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same.

For example, assume that the net leg market is \$1.00 to \$1.05. A COA-eligible order to buy at a net price of \$1.02 is entered and initiates a COA. During the COA (prior to the end of the Response Time Interval), the leg market offer changes to \$1.01. Because this is marketable against the COA-eligible order, this change in the leg markets will cause the COA to end. Assuming the leg market offer price of \$1.01 is the best price at the end of the COA,¹⁷ the COA-eligible order will execute against the leg markets at that price, and any remainder will then trade against complex orders in the COB and auction responses. If a complex order to buy was resting on the COB (for example, at a price of \$1.01) at the initiation of the COA (for example, a do-not-COA order or an order that is not COA-eligible),¹⁸ that order and the COA-eligible order would be allocated

¹⁶ This is similar to the result described in subparagraph (8)(A), which provides that an incoming complex order on the opposite side of the market as and marketable against the COA-eligible order will cause the COA to end.

¹⁷ The leg market offer would be the best price at the end of the COA if no auction response, order resting in the COB, or order that entered the System during the COA had a better price.

¹⁸ As previously indicated, only orders that are marketable or that improve the price on the same side of the market initiate a COA. See supra note 3. Thus, for there to be a situation where a complex order was already resting on the COB at the initiation of a

against the leg markets in the same manner as any other two complex orders pursuant to Rule 6.53C(c)(ii) regarding COB executions, which is by price and then pursuant to the rules of trading priority otherwise applicable to incoming orders in the individual component legs. The COA-eligible order would always have priority over the resting order, as it would always have a higher (if a buy order) or lower (if a sell order) price than the resting order.

In the example above, if a complex order to buy at \$1.01 was resting in the COB at the time the COA-eligible order to buy at \$1.02 entered the System and initiated the COA, and the same change in the leg markets occurs, assuming the leg market offer price of \$1.01 is the best price at the end of the COA, the COA-eligible order will trade against the leg offer at \$1.01 first, because it was entered at (and thus willing to pay) a better price than the resting complex order (to the extent there was insufficient size in the leg markets to fill the COA-eligible order, the remainder would then execute against complex orders in the COB and auction responses). If there is sufficient size left in the leg markets to trade against the resting complex order, then the resting order will also trade (in full or in a permissible ratio).

Third, the proposed rule amends Rule 6.13(c)(3)(A) to delete the language that RFR responses are limited to the size of the COA-eligible order for allocation purposes. If the allocation algorithm for complex orders in a class is pro-rata, the System is unable to block RFR responses that are larger than the size of the COA-eligible order. This proposed rule change will result in the rule regarding RFR responses more accurately

COA, the order resting on the COB would be at a worse price than the COA-eligible order that initiated the COA. If there is a complex order resting on the COB when that is on the same side and at the same or better price than an incoming complex order, then the incoming order will not COA and will also enter on the COB.

reflecting current System functionality. The Exchange notes that RFR responses must continue to be on the opposite side of the market of the COA-eligible order and be expressed in the applicable minimum increment. RFR responses will be subject to the same allocation and priority rules. Pursuant to Rule 6.13(c)(7), RFR responses are firm with respect to the COA-eligible order for which the responses are submitted, provided that responses that exceed the size of a COA-eligible order are also eligible to trade with other incoming COA-eligible orders that are received during the Response Time Interval.¹⁹

Finally, the proposed rule change makes technical and other nonsubstantive changes. Currently, Interpretation and Policy .05 provides that the Exchange may determine on a class-by-class basis (and announce via Regulatory Circular) which electronic allocation algorithm from Rule 6.12 will apply to complex orders in lieu of Rule 6.13(b)(1)(B) for COB executions and/or (Rule 6.13(c)(5)(B) through (D) for COA. The proposed rule change moves that language from Interpretation and Policy .05 to those paragraphs.²⁰ The Exchange believes it is simpler and more convenient to have the

¹⁹ Please note that the System currently accepts RFR responses that exceed the size of COA-eligible order. The intent of the provision proposed to be deleted was to consider the size of any response that did exceed the size of the COA-eligible order to the size of that order for allocation purposes (for example, if a COA-eligible order is for 200, and a response is for 500, the System considers the size to be 500 when allocating orders and responses against the COA-eligible order, rather than considering the size to be 200). However, the System is unable to do this, and thus excess-sized responses are considered at that size for allocation purposes. However, the excess size of responses is still eligible to trade as set forth in Rule 6.13(c)(7). Additionally, Participants continue to be subject to all rules related to business conduct, including Rule 4.1 related to just and equitable principles of trade and Rule 4.7 related to manipulation (which rules are incorporated into C2's rules by reference to Chicago Board Options Exchange, Incorporated Rules 4.1 and 4.7).

²⁰ The proposed rule change makes a corresponding change to Interpretation and Policy .06(c), which relates to executions of stock-options orders (types of complex

information regarding how COB and COA executions may allocate in one place within the rules.²¹ The Exchange also amends Rule 6.13(c)(5)(B) and (D) to add responses in the second sentence of each subparagraph. Those subparagraphs address the allocation of COA-eligible orders against certain orders and responses (as indicated in the initial sentence of each subparagraph), and the proposed rule change is consistent with that purpose. Additional nonsubstantive changes to Rule 6.13 are discussed above.

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.²² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²³ 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

orders) in the COB. The proposed rule change also deletes the rule text that states that in such classes, the orders and quotes in the individual leg series legs will continue to have the same priority as set forth in Rule 6.13(b)(1)(A) for COB and Rule 6.13(c)(5)(A) for COA, as the Exchange believes this language is duplicative. Those paragraphs continue to state that complex orders that trade with orders and quotes in the Book (whether through COB or COA) will be allocated in accordance with the trading priority applicable in the individual component legs, with no discretion for the Exchange to change the allocation algorithm for those executions.

²¹ The proposed rule change also deletes the language that the Exchange may announce this determination by Regulatory Circular, as Rule 6.13, Interpretation and Policy .01 indicates that the Exchange will announce by Regulatory Circular all determinations it makes under Rule 6.13, which includes the determination of allocation algorithms for COB and COA.

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

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 the Section 6(b)(5)²⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change removes impediments to a free and open market and protects investors by providing Participants with more flexibility regarding when complex orders will not COA. The proposed rule change removes the affirmative obligation currently imposed on Participants to request that their COA-eligible orders COA on a class-by-class basis, as Participants currently request that all of their COA-eligible orders COA upon entry into the System. Therefore, the proposed rule change to have COA as the default setting for COA-eligible orders will have no impact on COA-eligible orders submitted to the Exchange. The proposed rule change will allow Participants to evaluate then-current market conditions and determine if they do not want to COA orders based on those conditions and instead want those orders to route to the COB for potential immediate execution. These orders with do-not COA requests will continue to have execution opportunities and be subject to the same priority and allocation rules. In addition, the proposed rule change promotes just and equitable principles of trade and promotes competition because another options exchange has a substantially similar rule, as further described below, which similarly allows members to designate that orders not initiate a complex order auction on that exchange.²⁵

²⁴ Id.

²⁵ See NASDAQ OMX PHLX LLC (“PHLX”) Rule 1080, Commentary .07(a)(viii) and (e) (describing the complex order live auction (“COLA”) process and “do not auction” orders).

The current rules describe how COA-eligible orders received while a COA is ongoing would impact the COA. The proposed rule change also adds detail regarding how incoming orders with do-not-COA requests or that are not COA-eligible, as well as how changes in the leg markets, may impact ongoing COAs, which protects investors by enhancing the description in C2 Rules of current COA functionality and circumstances that may cause a COA to end early. Because the proposed rule change adds a provision regarding no-COA orders to the C2 Rules, the Exchange believes it is appropriate to add the provision regarding how no-COA orders would impact a COA to the C2 Rules as well to ensure investors understand how these orders may impact a COA. The Exchange believes the proposed rule change promotes just and equitable principles of trade because, if these orders cause a COA to end, any executions that occur following the COA occur in accordance with allocation principles in place, subject to an exception that the original COA-eligible order receive time priority. This exception prevents an order that was entered after the initiation of a COA from trading ahead of an order with the same price that may have executed or entered the COB if it did not COA. Similarly, the Exchange believe it is fair for a COA-eligible order that was entered at a better price than an order that was resting in the COB prior to initiation of the COA to execute against leg markets that become marketable against the COA-eligible order and resting order during the COA, because the Participant who entered the COA-eligible order was willing to pay a better price than that of the resting order. Incoming orders that do not COA and leg market changes impact a COA in a substantially similar manner as incoming COA-eligible orders; the proposed rule change just applies to different order types not covered

by the current Rules. This proposed change does not substantively change the COA or allocation process.

The proposed rule change to delete the provision limiting the size of RFR responses to the size of the COA-eligible order further perfects the mechanism of a free and open market and protects investors because it more accurately describes current System functionality. RFR responses will be subject to the same allocation and priority rules, and COA will continue to function in the same manner. The Exchange notes that the rule related to the complex order auctions of another exchange does not limit responses size to the size of the auctioned order.²⁶ The proposed rule change to reorganize certain provisions eliminates potential confusion regarding the processing of complex orders, which further benefits and protects investors.

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 proposed rule change, including the ability to designate orders to not COA, is available to all Participants. The Exchange believes the proposed rule change provides Participants with more flexibility with respect to the submission of their complex orders. The proposed rule change also eliminates the affirmative obligation imposed on Participants to request that COA-eligible orders COA, which they all do for all classes. While Participants may need to undertake system work to allow them to include a do-not-COA request on orders, use of this designation is voluntary. C2 believes this flexibility may promote competition by encouraging submission of complex orders to the Exchange. To the extent that proposed rule change makes C2 a more attractive marketplace to

²⁶ See id.

market participants on other exchanges, such market participants may elect to send orders to C2 to take advantage of the additional functionality. Additionally, other exchanges may determine to provide similar functionality and further enhance competition. The Exchange also notes that another options exchange has substantially similar provisions as the proposed rule change, as described above.

The proposed rule change to add detail to the rules regarding the impact of changes in the leg markets on a COA describes current functionality and is merely intended to enhance the description of this functionality in the Rules, and thus has no impact on competition. The nonsubstantive and technical changes have no impact on competition.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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 e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2015-025 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-C2-2015-025. 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, D.C. 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-C2-2015-025 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.²⁷

Secretary

²⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

**C2 Options Exchange, Incorporated
Rules**

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Rule 6.13. Complex Order Execution

(a) No change.

(b) *Complex Order Book (COB)*.

(1) Execution of Complex Orders in the COB: The Exchange will determine on a class-by-class basis whether complex orders that are submitted to the COB may be expressed on a net price basis in a multiple of the minimum increment (*i.e.*, \$0.10 or \$0.05 or \$0.01, as applicable) or in a smaller increment that may not be less than \$0.01. Complex orders that are submitted to the COB may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a complex order may be executed in \$0.01 increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Complex orders that are submitted to the COB may trade in the following way:

(A) No change.

(B) Orders in COB: Complex orders in the COB that are marketable against each other will automatically execute. The allocation of a complex order within the COB shall be pursuant to the rules of trading priority otherwise applicable to incoming orders in the individual component legs or another electronic allocation algorithm from Rule 6.12 as determined by the Exchange on a class-by-class basis.

(2) No change.

(c) *Process for Complex Order RFR Auction*[:]. Prior to routing to the COB, eligible complex orders may be subject to an automated request for responses (“RFR”) auction process.

(1) No change.

(2) Initiation of a COA: The System will send an RFR message to all Participants who have elected to receive RFR messages [O]on receipt of a COA-eligible order[and request from the Participant representing the order that it be processed through COA, the Exchange will send an RFR message to all Participants who have elected to receive RFR messages]. The RFR message will identify the component series, the

size and side of the market of the COA-eligible order and any contingencies, if applicable. Notwithstanding the foregoing, Participants may request on an order-by-order basis that incoming COA-eligible orders not COA (a “do-not-COA” request). An order initially submitted to the Exchange with a do-not-COA request may still COA after it has rested on the COB pursuant to Interpretation and Policy .02.

(3) Bidding and Offering in Response to RFRs: The Exchange shall determine, on a class-by-class basis, which of the following two groups of Participants may submit responses to the RFR message (“RFR Responses”) during the Response Time Interval: (a) each Market-Maker registered in the relevant option class, and each Participant acting as agent for orders resting at the top of the COB in the relevant option series; or (b) all Participants.

(A) RFR Responses must be on the opposite side of the market of the COA-eligible order[. RFR Response sizes will be limited to the size of the COA-eligible order for allocation purposes] and may be expressed on a net price basis in a multiple of the minimum increment ([]i.e., \$0.10, \$0.05 or \$0.01, as applicable) or in a smaller increment that may not be less than \$0.01, as determined by the Exchange on a class-by-class basis. RFR Responses will not be visible (other than by the COA system).

(B) No change.

(4) No change.

(5) Execution of COA-Eligible Orders: COA-eligible orders may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a COA-eligible order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. COA-eligible orders will trade first based on the best net price(s) and, at the same net price, will be allocated in the following way:

(A) No change.

(B) Public customer complex orders resting in the COB before, or that are received during, the Response Time Interval and public customer RFR Responses shall, collectively, have second priority to trade against a COA-eligible order. The allocation of a COA-eligible order against [the public customer complex]these orders [resting in the COB]and responses shall be according to time priority or another electronic allocation algorithm from Rule 6.12 as determined by the Exchange on a class-by-class basis.

(C) Non-public customer orders resting in the COB before the Response Time Interval shall have third priority to trade against a COA-eligible order. The allocation of a COA-eligible order against non-public customer orders resting in the COB shall be pursuant to the rules of trading priority otherwise applicable to

incoming orders in the individual component legs or another electronic allocation algorithm from Rule 6.12 as determined by the Exchange on a class-by-class basis.

(D) Non-public customers resting in the COB that are received during the Response Time Interval and non-public customer RFR [r]Responses shall, collectively, have fourth priority. The allocation of a COA-eligible order against these opposing orders and responses shall be pursuant to the rules of trading priority otherwise applicable to incoming orders in the individual component leg or another electronic allocation algorithm from Rule 6.12 as determined by the Exchange on a class-by-class basis.

(6) – (7) No change.

(8) Handling of Unrelated Complex Orders and Changes in Leg Markets: Incoming complex orders that are received and changes in the leg market that occur prior to the expiration of the Response Time Interval for a COA-eligible order (the “original COA”) will impact the original COA as follows:

(A) – (C) No change.

(D) Incoming complex orders with a do-not-COA request or that are not COA-eligible that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market and at a price better than or equal to the starting price will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same with the addition that the priority of the original COA-eligible order and the incoming order with a do-not-COA request or that is not COA-eligible, as applicable, shall be according to time priority.

(E) If the leg markets were not marketable against a COA-eligible order when the order entered the System but become marketable with the COA-eligible order prior to the expiration of the Response Time Interval, it will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (c)(4) through (c)(6) remains the same.

(9) No change.

... Interpretations and Policies:

.01 No change.

.02 [(a) With respect to the initiation of a COA, Participants routing complex orders directly to the COB may request that the complex orders be processed by COA on a class-by-class basis.

(b)]For each class where COA is activated, the Exchange may also determine to activate COA for complex orders resting in COB. For such classes, any non-marketable order resting at the top of COB may be automatically subject to COA if the order is within a number of ticks away from the current derived net market. The “derived net market” will be calculated based on the derived net price of the individual series legs. For stock-option orders, the derived net market for a 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 Exchange may also determine on a class-by-class and strategy basis to limit the frequency of COAs initiated for complex orders resting in COB.

.03 – .04 No change.

.05 [The Exchange may determine on a class-by-class basis (and announce via Regulatory Circular) which electronic allocation algorithm from Rule 6.12 shall apply to complex orders in lieu of subparagraphs (b)(1)(B) above for COB and/or (c)(5)(B) through (D) above for COA. In such classes, the orders and quotes in the individual series legs will continue to have the same priority as set forth in subparagraph (b)(1)(A) above for COB and (c)(5)(A) above for COA.]Reserved.

.06 Special Provisions Applicable to Stock-Option Orders: Stock-option orders may be executed against other stock-option orders through the COB and COA. Stock-option orders will not be legged against the individual component legs, except as provided in paragraph (d) below.

(a) – (b) No change.

(c) Complex Order Book. Stock-option orders in the COB that are marketable against each other will automatically execute, subject to the condition noted in paragraph (b) above. The allocation of a stock-option order within the COB shall be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs or another electronic allocation algorithm from Rule 6.12 as determined by the Exchange on a class-by-class basis.

(d) – (f) No change.

.07 No change.

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