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Page 1 of * 22

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

File No.* SR - 2017 - * 013
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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

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

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

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

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 *).

Proposed rule change to amend complex order price protections

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 * Lead Counsel

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.

Date 04/05/2017

By Laura G. Dickman

(Name *)

(Title *)

Lead Counsel

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.

dickman@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 * 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, 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 Add Remove View 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 Add Remove View 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 Add Remove View	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 the Proposed Rule Change**

(a) C2 Options Exchange, Incorporated (the "Exchange" or "C2") proposes to amend a current price protection related to complex orders. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

C2 Options Exchange, Incorporated

Rules

* * * * *

Rule 6.13. Complex Order Execution
(a) – (c) No change.

. . . Interpretations and Policies:

.01 – .03 No change.

.04 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraphs (b) and (g) will not be applicable to stock-option orders.

For purposes of this Interpretation and Policy .04:

Vertical Spread. A "vertical" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

Butterfly Spread. A "butterfly" spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a "true" butterfly; otherwise, it is a "skewed" butterfly.

Box Spread. A "box" spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a) – (d) No change.

(e) Acceptable Percentage Range Parameter:

(i) An incoming complex order (including a stock-option order) after [all leg]the series for all legs of the complex order are open for trading that is marketable and would execute immediately upon submission to the COB or following a COA if the execution would be at a price outside an acceptable percentage range. The "acceptable percentage range" is the national spread market (or Exchange spread market if the NBBO in any leg is locked, crossed or unavailable and for pairs of orders submitted to AIM or SAM) that existed when the System received the order or at the start of COA, as applicable, plus/minus:

(A) the amount equal to a percentage (which may not be less than 3%) of the national spread market (the "percentage amount") if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts on a class-by-class basis and announce them to Trading Permit Holders by Regulatory Circular);

(B) the minimum amount, if the percentage amount is less than the minimum amount; or

(C) the maximum amount, if the percentage amount is greater than the maximum amount.

(ii) The System cancels an order (or any remaining size after partial execution of the order) that would execute or rest in the COB at a price outside the acceptable price range.

(iii) If the System rejects either order in a pair of orders submitted to AIM or SAM pursuant to this parameter, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained ("A:AIR") order as defined in Interpretation and Policy .10 to Rule 6.51, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check. [To the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range.]

(iv) This parameter applies to auction responses in the same manner as it does orders.

(f) – (h) No change.

.06 – .07 No change.

* * * * *

(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 March 24, 2017.

(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 its acceptable percentage range parameter for complex orders. In general, pursuant to the acceptable percentage range parameter in Rule 6.13, Interpretation and Policy .04(e), the System cancels an incoming order[1] that is marketable and would execute immediately upon submission to the complex order book ("COB") or following a COA if the execution would be at a price outside an acceptable percentage range, which is the national spread market that existed when the System received the order or at the start of COA, as applicable, plus/minus:

- the amount equal to a percentage (which may not be less than 3%) of the national spread market (the "percentage amount") if that amount is not less than a

[1] The current rule states this price protection applies to an incoming order after all leg series are open for trading. The proposed rule change makes a nonsubstantive change to this provision to clarify this means the protection applies to an incoming order after the series for all legs of the complex order are open for trading.

minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts and announce them to Trading Permit Holders by Regulatory Circular);

- the minimum amount, if the percentage amount is less than the minimum amount; or
- the maximum amount, if the percentage amount is greater than the maximum amount.

First, the proposed rule change amends Rule 6.13, Interpretation and Policy .04(e)(i)(A) to provide the Exchange may determine the percentage and the minimum and maximum amounts on a class-by-class basis. Currently, the rule states the percentage and minimum and maximum amounts will be the same for all classes. Because of class differences such as the minimum increment and option prices, the Exchange believes it may be appropriate to set different amounts so the outside of the range is not too close or too far away from the market price for a class and ensure the range creates an effective check for all classes. Therefore, the proposed rule change adds this flexibility to the Rule. Other price protections have similar flexibility.[2]

Second, the proposed rule change adds Rule 6.13, Interpretation and Policy .04(e)(iv) to provide this parameter will apply to auction responses in the same manner as it does orders. The current parameter does not apply to auction responses. As noted in a recent rule filing enhancing this parameter, even if the parameter does not apply to auction responses, this protection will prevent an order from executing outside the acceptable price range (including against an auction response), and thus responses will

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[2] See, e.g., Rule 6.13, Interpretation and Policy .04(g).

not execute against an order outside the acceptable price range.[3] However, cancelling an auction response prior to the end of an auction that would execute outside the acceptable price range may give the submitting Trading Permit Holder an opportunity to submit a new response within the acceptable price range prior to the end of the auction, and thus increase execution opportunities. Therefore, the proposed rule change applies this parameter to auction response. An auction response at a price outside the acceptable price range will not execute regardless of whether this parameter applies to the auction response; applying the parameter to auction responses merely changes the timing of when the response is cancelled.[4] Other price protections similarly apply to auction responses.[5]

(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.[6] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] 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,

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[3] See Securities Exchange Act Release No. 34-80281 (March 20, 2017), 82 FR 15074, note 24 (March 44, 2017) (SR-C2-2017-010).

[4] Paragraph (e)(iii) currently states to the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range. The proposed rule change deletes this rule language, as it is redundant. The price protection will, as proposed, cancel orders and responses (or remaining size after partial execution) that would execute outside the acceptable price range. There is effectively the same as capping an execute price no wider than the acceptable price range, as no order or response will be able to execute at a price outside the range.

[5] See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4).

[6] 15 U.S.C. 78f(b).

[7] 15 U.S.C. 78f(b)(5).

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)[8] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to provide the Exchange with flexibility to determine settings for the acceptable percentage range parameter on a class-by-class manner will permit the Exchange to ensure the range is not too close or too far away from the market price for a class based on factors such as minimum increment and premium, and thus ensure the range creates an effective check for all classes. This will protect investors from potentially erroneous executions while removing impediments to and perfecting the mechanism of a free and open market and a national market system by ensuring orders are not inadvertently cancelled due to a range that is too narrow. Other price protections have similar flexibility.[9]

The proposed rule change to apply the acceptable percentage range parameter to auction responses merely changes the time at which responses outside the acceptable price range is cancelled. However, application of the acceptable percentage range parameter to auction responses may permit the submitting Trading Permit Holder to enter a new auction response at a price within the range prior to the end of the auction, which

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8 Id.

9 See, e.g., Rule 6.13, Interpretation and Policy .04(g).

improves execution opportunities and thus protects investors. Other price protections similarly apply to auction responses.[10]

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. The proposed rule change will apply to all complex orders submitted to C2 in the same manner. The enhancements to the acceptable percentage range parameter applicable to all incoming orders will help further prevent potentially erroneous executions, which benefits all market participants. Additionally, the proposed rule change is substantially similar to other price protections.[11] The proposed rule change will not impose any burden on intermarket competition, as it applies only to C2 price protection mechanisms that prevent erroneous executions on C2.

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.

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10 See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4).

11 See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4) and (g).

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)**

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[12] and Rule 19b-4(f)(6)[13] thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Securities and Exchange Commission (the "Commission") may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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 is not changing the main functionality of the acceptable percentage range mechanism for complex orders. The proposed rule change merely provides the Exchange with flexibility to determine settings for the acceptable percentage range parameter on a class-by-class manner, which will permit the Exchange to ensure the range is not too close or too far away from the market price for a class based on factors such as minimum increment and premium, and thus ensure the range creates an effective check for all classes. Other price protections have similar flexibility.[14] Additionally, applying the acceptable percentage range parameter to auction responses merely changes the timing of

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12 15 U.S.C. 78s(b)(3)(A).

13 17 CFR 240.19b-4(f)(6).

14 See, e.g., Rule 6.13, Interpretation and Policy .04(g).

when the response is cancelled (an auction response at a price outside the acceptable price range will not execute regardless of whether this parameter applies to the auction response) to permit additional execution opportunities. Other price protections similarly apply to auction responses.[15]

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

For reasons stated above, the Exchange respectfully 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. The proposed rule change is not changing the main functionality of the acceptable percentage range mechanism for complex orders. Instead, the proposed rule change enhances portions of this protection by incorporating provisions that are in place with respect to other price protections on C2. Because this price protection will generally work in the same manner, the Exchange believes it will benefit investors for the proposed enhancements to this price protection to become operative as soon as possible.

(c) Not applicable.

(d) Not applicable.

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[15] See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4).

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-C2-2017-013]

[Insert date]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Complex Order Price Protections

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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] 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 proposes to amend a current price protection related to complex orders. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

C2 Options Exchange, Incorporated

Rules

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1 15 U.S.C. 78s(b)(1).
2 17 CFR 240.19b-4.
3 15 U.S.C. 78s(b)(3)(A)(iii).
4 17 CFR 240.19b-4(f)(6).

* * * * *

Rule 6.13. Complex Order Execution
(a) – (c) No change.

. . . Interpretations and Policies:

.01 – .03 No change.

.04 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraphs (b) and (g) will not be applicable to stock-option orders.

For purposes of this Interpretation and Policy .04:

Vertical Spread. A "vertical" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

Butterfly Spread. A "butterfly" spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a "true" butterfly; otherwise, it is a "skewed" butterfly.

Box Spread. A "box" spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a) – (d) No change.

(e) Acceptable Percentage Range Parameter:

(i) An incoming complex order (including a stock-option order) after [all leg]<u>the</u> series <u>for all legs of the complex order</u> are open for trading that is marketable and would execute immediately upon submission to the COB or following a COA if the execution would be at a price outside an acceptable percentage range. The "acceptable percentage range" is the national spread market (or Exchange spread market if the NBBO in any leg is locked, crossed or unavailable and for pairs of orders submitted to AIM or SAM) that existed when the System received the order or at the start of COA, as applicable, plus/minus:

(A) the amount equal to a percentage (which may not be less than 3%) of the national spread market (the "percentage amount") if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts on a class-by-class basis and announce them to Trading Permit Holders by Regulatory Circular);

(B) the minimum amount, if the percentage amount is less than the minimum amount; or

(C) the maximum amount, if the percentage amount is greater than the maximum amount.

(ii) The System cancels an order (or any remaining size after partial execution of the order) that would execute or rest in the COB at a price outside the acceptable price range.

(iii) If the System rejects either order in a pair of orders submitted to AIM or SAM pursuant to this parameter, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained ("A:AIR") order as defined in Interpretation and Policy .10 to Rule 6.51, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check. [To the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range.]

(iv) This parameter applies to auction responses in the same manner as it does orders.

(f) – (h) No change.

.06 – .07 No change.

* * * * *

The text of the proposed rule change is also available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received

on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its acceptable percentage range parameter for complex orders. In general, pursuant to the acceptable percentage range parameter in Rule 6.13, Interpretation and Policy .04(e), the System cancels an incoming order[5] that is marketable and would execute immediately upon submission to the complex order book ("COB") or following a COA if the execution would be at a price outside an acceptable percentage range, which is the national spread market that existed when the System received the order or at the start of COA, as applicable, plus/minus:

- the amount equal to a percentage (which may not be less than 3%) of the national spread market (the "percentage amount") if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts and announce them to Trading Permit Holders by Regulatory Circular);
- the minimum amount, if the percentage amount is less than the minimum amount; or
- the maximum amount, if the percentage amount is greater than the maximum amount.

[5] The current rule states this price protection applies to an incoming order after all leg series are open for trading. The proposed rule change makes a nonsubstantive change to this provision to clarify this means the protection applies to an incoming order after the series for all legs of the complex order are open for trading.

First, the proposed rule change amends Rule 6.13, Interpretation and Policy .04(e)(i)(A) to provide the Exchange may determine the percentage and the minimum and maximum amounts on a class-by-class basis. Currently, the rule states the percentage and minimum and maximum amounts will be the same for all classes. Because of class differences such as the minimum increment and option prices, the Exchange believes it may be appropriate to set different amounts so the outside of the range is not too close or too far away from the market price for a class and ensure the range creates an effective check for all classes. Therefore, the proposed rule change adds this flexibility to the Rule. Other price protections have similar flexibility.[6]

Second, the proposed rule change adds Rule 6.13, Interpretation and Policy .04(e)(iv) to provide this parameter will apply to auction responses in the same manner as it does orders. The current parameter does not apply to auction responses. As noted in a recent rule filing enhancing this parameter, even if the parameter does not apply to auction responses, this protection will prevent an order from executing outside the acceptable price range (including against an auction response), and thus responses will not execute against an order outside the acceptable price range.[7] However, cancelling an auction response prior to the end of an auction that would execute outside the acceptable price range may give the submitting Trading Permit Holder an opportunity to submit a new response within the acceptable price range prior to the end of the auction, and thus increase execution opportunities. Therefore, the proposed rule change applies this parameter to auction response. An auction response at a price outside the acceptable

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[6] See, e.g., Rule 6.13, Interpretation and Policy .04(g).

[7] See Securities Exchange Act Release No. 34-80281 (March 20, 2017), 82 FR 15074, note 24 (March 44, 2017) (SR-C2-2017-010).

price range will not execute regardless of whether this parameter applies to the auction response; applying the parameter to auction responses merely changes the timing of when the response is cancelled.[8] Other price protections similarly apply to auction responses.[9]

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[10] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[11] 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)[12] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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8 Paragraph (e)(iii) currently states to the extent a contra-side order or response is marketable against the Agency Order, the execution price will be capped at the opposite side of the acceptable price range. The proposed rule change deletes this rule language, as it is redundant. The price protection will, as proposed, cancel orders and responses (or remaining size after partial execution) that would execute outside the acceptable price range. There is effectively the same as capping an execute price no wider than the acceptable price range, as no order or response will be able to execute at a price outside the range.

9 See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4).

10 15 U.S.C. 78f(b).

11 15 U.S.C. 78f(b)(5).

12 Id.

In particular, the Exchange believes the proposed rule change to provide the Exchange with flexibility to determine settings for the acceptable percentage range parameter on a class-by-class manner will permit the Exchange to ensure the range is not too close or too far away from the market price for a class based on factors such as minimum increment and premium, and thus ensure the range creates an effective check for all classes. This will protect investors from potentially erroneous executions while removing impediments to and perfecting the mechanism of a free and open market and a national market system by ensuring orders are not inadvertently cancelled due to a range that is too narrow. Other price protections have similar flexibility.[13]

The proposed rule change to apply the acceptable percentage range parameter to auction responses merely changes the time at which responses outside the acceptable price range is cancelled. However, application of the acceptable percentage range parameter to auction responses may permit the submitting Trading Permit Holder to enter a new auction response at a price within the range prior to the end of the auction, which improves execution opportunities and thus protects investors. Other price protections similarly apply to auction responses.[14]

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 will apply to all complex orders submitted to C2 in the same manner. The enhancements to the acceptable percentage range parameter applicable to all incoming orders will help further prevent potentially erroneous executions, which

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13 See, e.g., Rule 6.13, Interpretation and Policy .04(g).

14 See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4).

benefits all market participants. Additionally, the proposed rule change is substantially similar to other price protections.[15] The proposed rule change will not impose any burden on intermarket competition, as it applies only to C2 price protection mechanisms that prevent erroneous executions on C2.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate,

it has become effective pursuant to Section 19(b)(3)(A) of the Act[16] and Rule 19b-4(f)(6)[17] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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15 See, e.g., Rule 6.13, Interpretation and Policy .04(c)(4) and (g).

16 15 U.S.C. 78s(b)(3)(A).

17 17 CFR 240.19b-4(f)(6).

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-C2-2017-013 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2017-013. 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-C2-2017-013 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.[18]

Secretary

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[18] 17 CFR 200.30-3(a)(12).