

## OMB APPROVAL

OMB Number: 3235-0045  
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 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 22

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

File No.\* SR - 2017 - \* 023

Amendment No. (req. for Amendments \*)

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

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

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

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

☐

Section 3C(b)(2) \*

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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 \*).

Proposal to outline C2 Trade Match System (CTM) functionality.

### 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 \* Nick Last Name \* Still  
 Title \* Counsel  
 E-mail \* still@cboe.com  
 Telephone \* (312) 786-7006 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 08/04/2017

By Nick Still

(Name \*)

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.

still@cboe.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT 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 \***

Add Remove View

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

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

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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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 adopt a rule related to trade records. 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 August 2, 2017.

(b)        Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Nick Still, (312) 786-7006, Chicago Board 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 is proposing to adopt new Rule 6.49 related to its existing C2 Trade Match System (“CTM”) functionality. CTM is a systems user interface provided by the Exchange in which authorized Trading Permit Holders (“TPHs”) may receive copies of trade records and add and/or update their trade records. Although references to CTM exist within Regulatory Circulars, the functionality is not currently described in Exchange rules. The Exchange believes it would be beneficial to address and provide further detail in its rules regarding the CTM functionality and permitted uses.

Post-trade modifications may be effected via the CTM system. A rule explicitly detailing the modification process and defining what permitted modifications are allowed does not currently exist in the Exchange's rules. The Exchange believes it would be useful to explicitly reference within the rule text the term "CTM" and codify what post trade modifications via CTM are permitted to reduce confusion and add additional transparency to the rules regarding C2's systems.

First, the Exchange proposes to explicitly reference and describe "CTM." Specifically, CTM is a system in which authorized TPHs may enter and report transactions that have been effected on the Exchange in accordance with Exchange rules or to correct bona fide errors (e.g., a situation in which a transaction was incorrectly reported as an opening transaction). Documentation requirements related to changes made through the use of CTM will be announced via a Regulatory Circular.

By way of background, C2 Rule 6.38 requires that for all transactions made on the Exchange, TPHs must file with the Exchange certain trade information<sup>1</sup> in order to allow the Exchange to properly match and clear trades. This information is used to provide the comparison of the two sides (i.e., buy and sell) of a transaction. When the two sides match, the trade is successfully compared and will move on to the Options Clearing Corporation ("OCC") for clearance. For trades that do not match (i.e., trade information from each side do not match) TPHs and their respective representatives typically make reasonable efforts to resolve unmatched trades on trade day. The Exchange notes that CTM may be used by TPHs to change certain fields on a trade record for which it has authority to correct, in order to update a trade record or correct an unmatched field to

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<sup>1</sup> See C2 Rule 6.38.

resolve an out-trade. The Exchange proposes to codify what post trade modifications via CTM are permitted and further specify which changes will require notification to the Exchange.

The Exchange first seeks to specify which fields may be changed by TPHs through the use of CTM without notice to the Exchange. Those fields are: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) CMTA<sup>2</sup>; (4) Market-Maker Account and Sub Account; (5) Customer ID; (6) Position Effect (open/close); (7) Optional Data; and/or (8) Origin Code (provided the change is not from a customer origin code to any other origin code). The Exchange notes that the information contained in these fields does not affect the terms of a contract or the Consolidated Tape. Rather, the Exchange views these changes to be non-critical back office changes and as such, the Exchange does not believe it needs notice from the TPH making the change. The Exchange also notes that such changes would be captured in the Exchange's audit trail.

Next, the Exchange proposes to specify which fields may be changed by TPHs through the use of CTM that require TPHs to give notice to the Exchange in a form and manner determined by the Exchange. Specifically, those fields are: (1) Series; (2) Quantity; (3) Buy or Sell; (4) Premium Price; and/or (5) Origin Code (if changing origin code from customer (C) to any other origin code). The Exchange notes that these fields, with the exception of origin code, do change the terms of the contract and additionally

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<sup>2</sup> Under a Clearing Member Trade Agreement ("CMTA"), an Options Clearing Corporation ("OCC") clearing member ("carrying clearing member") authorizes another clearing member ("executing clearing member") to give up the name of the carrying clearing member with respect to any trade executed on a specific exchange (i.e., the re-assignment of a trade to a different Clearing firm occurs post-trade at the OCC).

affect the Consolidated Tape. As such, the Exchange proposes to require notice and further documentation as to why such a change is being made in order to monitor such changes, as well as take the necessary steps to ensure that any such changes are properly reflected in the Consolidated Tape. As to changes from a Customer (C) origin code to any other origin code, the Exchange notes that while such change does not affect the Consolidated Tape or terms of a contract, such changes may affect other substantive aspects of how a trade was processed, including whether a trade should have been given order priority. Accordingly, the Exchange believes that TPHs making changes to these fields should be required to provide the Exchange notice and documentation relating to the change. The Exchange proposes to require that notification of the change be made as soon as practicable, but, no later than fifteen (15) minutes after the change has been made. The Exchange notes that it will not be authorizing any changes prior to the TPH making changes to any of the above-mentioned fields (i.e., the Exchange will not expressly indicate whether or not a change identified in a TPH's notice is in conformity with Exchange rules prior to the change being made). Rather, due to inherent time constraints, such changes will be reviewed by Exchange personnel after the fact, and a TPH that is found to have made an improper modification may be subject to appropriate disciplinary action in accordance with the Rules of the Exchange as described more fully below.

The Exchange lastly proposes to adopt Interpretation and Policy .01 to provide that any action taken by the Exchange pursuant to proposed Rule 6.49(b) and (c) does not constitute a determination by the Exchange that the transaction was effected in conformity

with Exchange Rules.<sup>3</sup> As noted above, any improper change made through CTM shall be processed and given effect, but the TPH may be subject to appropriate disciplinary action in accordance with Exchange rules. Additionally, the Exchange notes that nothing in proposed Rule 6.49 is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Exchange rules for rule violations or other activity for which remedial measures may be proposed. The Exchange notes that given the inherent time constraints in making various changes to exchange transactions, the Exchange would not be able to adequately consider the above-mentioned requirements and make a determination within the time required as to whether a change was improper or not. As such the Exchange will not prevent any changes from being processed and given effect, but will review such changes after the fact to ensure compliance with Exchange rules.

(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.<sup>4</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>5</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in

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<sup>3</sup> For example, if the Exchange provides a TPH the ability to make a change via CTM, such action should not be construed as a determination by the Exchange that the transaction proposed is in conformity with Exchange Rules.

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

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

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)<sup>6</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange views CTM as an important tool that allows TPHs to receive copies of trade records and add and/or update trade records. The Exchange believes CTM provides TPHs an effective mechanism to make such changes and reconcile out-trades due to bona fide errors, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and protecting investors and the public interest.

The Exchange also believes that clearly defining in the rules existing system functionality (i.e., CTM) provides additional transparency in the rules and provides market participants an additional avenue to easily understand the system and processes C2 offers. The Exchange believes additional transparency removes a potential impediment to and perfecting the mechanism for a free and open market and a national market system, and, in general, protecting investors and the public interest. Additionally, the Exchange believes that requiring certain changes made through the CTM system allows the Exchange to receive from TPHs information in a uniform format, which aids the Exchange's efforts to monitor and regulate C2 and TPHs and helps prevent fraudulent and manipulative practices.

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<sup>6</sup> Id.



Finally, the Exchange believes that the proposed rule changes are designed to not permit unfair discrimination among market participants. For example all TPHs may request access to CTM. Additionally, all TPHs will be subject to the same limitations as to the permitted uses of CTM functionality.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that proposed Rule 6.49 will promote competition by making the CTM functionality more understandable to users and the general public. The Exchange believes that by better explaining its CTM functionality to TPHs and codifying the permitted uses of CTM, TPHs will better understand the Exchange's systems. The Exchange believes that additional clarity and transparency in the Rules will make it easier for market participants to compete with one another on equal footing in the markets and ultimately benefits all investors.

**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 written 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)**

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

In particular, the proposed rule change to describe the CTM functionality provides additional transparency in the Exchange’s rules and provides market participants an additional avenue to easily understand the system and processes. Additionally, the Exchange believes the proposed change is non-controversial because it merely allows TPHs to change certain fields on a trade record in order to resolve out-trades or erroneously entered information, which protects investors and the public interest. Furthermore, requiring that certain changes be made through CTM allows the Exchange to receive from TPHs information in a uniform format, which aids the Exchange’s efforts

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

to monitor and regulate C2's markets and TPHs and helps prevent fraudulent and manipulative practices.

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.

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

The proposed rule change is based on the rules of the Chicago Board Option Exchange, Incorporated ("CBOE"), specifically CBOE Rule 6.67.<sup>9</sup>

**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.

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<sup>9</sup> See CBOE Rule 6.67. See also Securities Exchange Act Release No. 73439 (October 27, 2014), 79 F.R. 64846 (October 31, 2014).

EXHIBIT 1

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-C2-2017-023]

[Insert date]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 6.49, C2 Trade Match System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [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<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange is proposing to adopt new Rule 6.49 related to its existing C2 Trade Match System (“CTM”) functionality.

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.

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of 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 is proposing to adopt new Rule 6.49 related to its existing C2 Trade Match System ("CTM") functionality. CTM is a systems user interface provided by the Exchange in which authorized Trading Permit Holders ("TPHs") may receive copies of trade records and add and/or update their trade records. Although references to CTM exist within Regulatory Circulars, the functionality is not currently described in Exchange rules. The Exchange believes it would be beneficial to address and provide further detail in its rules regarding the CTM functionality and permitted uses.

Post-trade modifications may be effected via the CTM system. A rule explicitly detailing the modification process and defining what permitted modifications are allowed does not currently exist in the Exchange's rules. The Exchange believes it would be useful to explicitly reference within the rule text the term "CTM" and codify what post trade modifications via CTM are permitted to reduce confusion and add additional transparency to the rules regarding C2's systems.

First, the Exchange proposes to explicitly reference and describe "CTM." Specifically, CTM is a system in which authorized TPHs may enter and report

transactions that have been effected on the Exchange in accordance with Exchange rules or to correct bona fide errors (e.g., a situation in which a transaction was incorrectly reported as an opening transaction). Documentation requirements related to changes made through the use of CTM will be announced via a Regulatory Circular.

By way of background, C2 Rule 6.38 requires that for all transactions made on the Exchange, TPHs must file with the Exchange certain trade information<sup>5</sup> in order to allow the Exchange to properly match and clear trades. This information is used to provide the comparison of the two sides (i.e., buy and sell) of a transaction. When the two sides match, the trade is successfully compared and will move on to the Options Clearing Corporation (“OCC”) for clearance. For trades that do not match (i.e., trade information from each side do not match) TPHs and their respective representatives typically make reasonable efforts to resolve unmatched trades on trade day. The Exchange notes that CTM may be used by TPHs to change certain fields on a trade record for which it has authority to correct, in order to update a trade record or correct an unmatched field to resolve an out-trade. The Exchange proposes to codify what post trade modifications via CTM are permitted and further specify which changes will require notification to the Exchange.

The Exchange first seeks to specify which fields may be changed by TPHs through the use of CTM without notice to the Exchange. Those fields are: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) CMTA<sup>6</sup>; (4) Market-

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<sup>5</sup> See C2 Rule 6.38.

<sup>6</sup> Under a Clearing Member Trade Agreement (“CMTA”), an Options Clearing Corporation (“OCC”) clearing member (“carrying clearing member”) authorizes another clearing member (“executing clearing member”) to give up the name of the carrying clearing member with respect to any trade executed on a specific

Maker Account and Sub Account; (5) Customer ID; (6) Position Effect (open/close); (7) Optional Data; and/or (8) Origin Code (provided the change is not from a customer origin code to any other origin code). The Exchange notes that the information contained in these fields does not affect the terms of a contract or the Consolidated Tape. Rather, the Exchange views these changes to be non-critical back office changes and as such, the Exchange does not believe it needs notice from the TPH making the change. The Exchange also notes that such changes would be captured in the Exchange's audit trail.

Next, the Exchange proposes to specify which fields may be changed by TPHs through the use of CTM that require TPHs to give notice to the Exchange in a form and manner determined by the Exchange. Specifically, those fields are: (1) Series; (2) Quantity; (3) Buy or Sell; (4) Premium Price; and/or (5) Origin Code (if changing origin code from customer (C) to any other origin code). The Exchange notes that these fields, with the exception of origin code, do change the terms of the contract and additionally affect the Consolidated Tape. As such, the Exchange proposes to require notice and further documentation as to why such a change is being made in order to monitor such changes, as well as take the necessary steps to ensure that any such changes are properly reflected in the Consolidated Tape. As to changes from a Customer (C) origin code to any other origin code, the Exchange notes that while such change does not affect the Consolidated Tape or terms of a contract, such changes may affect other substantive aspects of how a trade was processed, including whether a trade should have been given order priority. Accordingly, the Exchange believes that TPHs making changes to these

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exchange (i.e., the re-assignment of a trade to a different Clearing firm occurs post-trade at the OCC).

fields should be required to provide the Exchange notice and documentation relating to the change. The Exchange proposes to require that notification of the change be made as soon as practicable, but, no later than fifteen (15) minutes after the change has been made. The Exchange notes that it will not be authorizing any changes prior to the TPH making changes to any of the above-mentioned fields (i.e., the Exchange will not expressly indicate whether or not a change identified in a TPH's notice is in conformity with Exchange rules prior to the change being made). Rather, due to inherent time constraints, such changes will be reviewed by Exchange personnel after the fact, and a TPH that is found to have made an improper modification may be subject to appropriate disciplinary action in accordance with the Rules of the Exchange as described more fully below.

The Exchange lastly proposes to adopt Interpretation and Policy .01 to provide that any action taken by the Exchange pursuant to proposed Rule 6.49(b) and (c) does not constitute a determination by the Exchange that the transaction was effected in conformity with Exchange Rules.<sup>7</sup> As noted above, any improper change made through CTM shall be processed and given effect, but the TPH may be subject to appropriate disciplinary action in accordance with Exchange rules. Additionally, the Exchange notes that nothing in proposed Rule 6.49 is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Exchange rules for rule violations or other activity for which remedial measures may be proposed. The Exchange notes that given the inherent time constraints in making various changes to exchange transactions, the Exchange would not be able to adequately consider the above-mentioned requirements and make a

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<sup>7</sup> For example, if the Exchange provides a TPH the ability to make a change via CTM, such action should not be construed as a determination by the Exchange that the transaction proposed is in conformity with Exchange Rules.



determination within the time required as to whether a change was improper or not. As such the Exchange will not prevent any changes from being processed and given effect, but will review such changes after the fact to ensure compliance with Exchange rules.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>9</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange views CTM as an important tool that allows TPHs to receive copies of trade records and add and/or update trade records. The Exchange believes CTM provides TPHs an effective mechanism to make such changes and reconcile out-trades due to bona fide errors, thereby removing impediments to and perfecting the

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> Id.

mechanism of a free and open market and a national market system, and protecting investors and the public interest.

The Exchange also believes that clearly defining in the rules existing system functionality (i.e., CTM) provides additional transparency in the rules and provides market participants an additional avenue to easily understand the system and processes C2 offers. The Exchange believes additional transparency removes a potential impediment to and perfecting the mechanism for a free and open market and a national market system, and, in general, protecting investors and the public interest. Additionally, the Exchange believes that requiring certain changes made through the CTM system allows the Exchange to receive from TPHs information in a uniform format, which aids the Exchange's efforts to monitor and regulate C2 and TPHs and helps prevent fraudulent and manipulative practices.

Finally, the Exchange believes that the proposed rule changes are designed to not permit unfair discrimination among market participants. For example all TPHs may request access to CTM. Additionally, all TPHs will be subject to the same limitations as to the permitted uses of CTM functionality.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that proposed Rule 6.49 will promote competition by making the CTM functionality more understandable to users and the general public. The Exchange believes that by better explaining its CTM functionality to TPHs and codifying the permitted uses of CTM, TPHs will better understand the Exchange's systems. The Exchange believes that additional clarity and transparency in the Rules will make it easier

for market participants to compete with one another on equal footing in the markets and ultimately benefits all investors.

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 written 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<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2017-023 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-C2-2017-023. 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-C2-2017-023 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.<sup>13</sup>

Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**C2 Options Exchange, Incorporated  
Rules**

\* \* \* \* \*

**Rule 6.49. C2 Trade Match System**

General. The C2 Trade Match System (“CTM”) is a system in which authorized Trading Permit Holders may add and/or update trade records. CTM may be used to enter and report transactions that have been effected on the Exchange in accordance with the Exchange’s rules or to correct certain bona fide errors. The Exchange will announce documentation requirements related to changes made through the use of CTM via a Regulatory Circular.

(a) Fields that may be changed through the use of CTM without notice to the Exchange include the following: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) CMTA; (4) Market Maker Account and Sub Account; (5) Customer ID; (6) Position Effect (open/close); (7) Optional data and/or (8) Origin Code (provided the change is not from a customer origin code (C) to any other origin code).

(b) Fields that may be changed through the use of CTM that require notification to the Exchange include the following: (1) Series, (2) Quantity, (3) Buy or Sell; (4) Premium Price and/or (5) Origin Code (if changing origin code from customer (C) to any other origin code). Notification of the change shall be made as soon as practicable, but no later than fifteen (15) minutes after the change has been made.

(c) Changes related to the give up of a Clearing Trading Permit Holder (“Give Up”) through the use of CTM shall be governed by Rule 6.30.

**... Interpretations and Policies:**

**.01** Any actions taken by the Exchange pursuant to this Rule 6.49(b) or (c) do not constitute a determination by the Exchange that the transaction was effected in conformity with the requirements of Exchange rules. Any improper change made through CTM shall be processed and given effect, but would be subject to appropriate disciplinary action in accordance with the Rules of the Exchange. In addition, nothing in this Rule is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Exchange rules for rule violations or other activity for which remedial measures may be imposed.

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