

reduce the time frame for bringing options on ETFs to market, thereby reducing the burdens on issuers and other market participants. The Exchange also believes enabling the listing and trading of options on ETFs pursuant to this new listing standard will benefit investors by providing them with valuable risk management tools. The Exchange notes that its proposal does not replace the need for a CSSA as provided in current Rule 402(i)(5)(ii). The provisions of current Rule 402(i)(5)(ii), including the need for a comprehensive surveillance sharing agreement, remain materially unchanged in proposed Rule 402(i)(E)(2)(ii) and will continue to apply to options on ETFs that are not listed on an equities exchange pursuant to generic listing standards for series of portfolio depository receipts and index fund shares based on international or global indexes under which a comprehensive surveillance agreement is not required. Instead, proposed Rule 402(i)(E)(2)(i) adds an additional listing mechanism for certain qualifying options on ETFs to be listed on the Exchange in a manner that is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

#### *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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes this proposed rule change will benefit investors by providing additional methods to trade options on ETFs, and by providing them with valuable risk management tools. Specifically, the Exchange believes that market participants on MIAX would benefit from the introduction and availability of options on ETFs in a manner that is similar to equities exchanges and will provide investors with a venue on which to trade options on these products. For all the reasons stated above, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

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

Written comments were neither solicited nor received.

#### **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 (i) as the Commission may designate up to 90 days of such date 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 shall: (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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2015-04 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-MIAX-2015-04. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and

printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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-MIAX-2015-04 and should be submitted on or before February 20, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Brent J. Fields,**  
*Secretary.*

[FR Doc. 2015-01748 Filed 1-29-15; 8:45 am]

BILLING CODE 8011-01-P

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-74135; File No. SR-C2-2015-001]

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

January 26, 2015.

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 January 14, 2015, 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 proposes to amend its Fees Schedule. The text of the proposed rule change is available on the Exchange's Web site (<http://www.c2exchange.com/Legal/>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

<sup>19</sup> 17 CFR 200.30-3(a)(12).

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend its Fees Schedule.<sup>3</sup> First, the Exchange proposes to amend Taker fees for simple, non-complex orders in all multiply-listed index, ETF and ETN options classes (except RUT). Currently, for such orders, the Exchange assesses a fee of \$0.44 for Public Customers and \$0.45 to C2 Market-Makers as well as orders from all other origins. The Exchange proposes to increase these fee amounts by \$0.03 for all market participants, resulting in a fee of \$0.47 per contract for Public Customer orders and \$0.48 per contract for orders from C2 Market-Makers and all other origins. The reason for the proposed change is for competitive reasons. Additionally, the Exchange notes that the proposed fee amounts are equivalent to, and in some cases lower than, those assessed for similar orders by other exchanges.<sup>4</sup>

The Exchange also proposes to raise, from \$0.35 per contract to \$0.45 per contract, the Taker fee for complex orders from C2 Market-Makers and all other origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) except Public Customers in multiply-listed index, ETF and ETN options classes (except RUT). The Exchange desires to impose this increase on orders from C2 Market-Makers and all other origins and not on

<sup>3</sup> C2 initially filed the proposed fee change on December 31, 2014 (SR-C2-2014-030). On January 14, 2015, C2 withdrew that filing and submitted this filing. All fee amounts described herein are per contract unless otherwise noted.

<sup>4</sup> See The NASDAQ Stock Market LLC NASDAQ Options Market ("NOM") Price List, which lists fees for Customer orders that remove liquidity in Penny Pilot options at \$0.48 per contract and non-Penny Pilot options at \$0.85 per contract, and for non-Customer orders that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

Public Customers due to market forces. The Exchange notes that Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the options industry has a long history of providing preferential pricing to Public Customers. Finally, the proposed fee amount is in the range of, and in some cases much lower than, those assessed for similar orders by other exchanges.<sup>5</sup>

The Exchange proposes to adopt a new fees structure for simple, non-complex orders in equity options classes. Currently, the Exchange's fees and rebates for such orders are determined by formulas that take into account factors such as the C2 BBO Market Width, type of market participant, and size of the order. The Exchange proposes to eliminate that fees structure and replace it with a more traditional, simple Maker/Taker fee and rebate structure, one that mirrors the structure (and even the fee amounts) of that which applies to simple, non-complex orders in multiply-listed index, ETF and ETN options classes. The proposed new Section 1B of the Exchange Fees Schedule would describe this new structure as follows:

The following rates apply to simple, non-complex orders in all equity options classes. Listed rates are per contract.

	Maker	Taker fee
Public Customer	* (\$0.37)	\$0.47
C2 Market-Maker .....	* (\$0.40)	\$0.48
All Other Origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) .....	* (\$0.35)	\$0.48
Trades on the Open .....	\$0.00	\$0.00

\* Rebates do not apply to orders that trade with Public Customer complex orders. In such a circumstance, there will be no fee or rebate.

The Exchange believes that this proposed new fee and rebate structure

<sup>5</sup> See NOM Price List, which lists fees for orders from market participants other than Customers that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

will make it easier for market participants to determine what their fees will be. The Exchange also believes that the proposed new structure will better allow the Exchange to compete for, and attract more, trading flow. The rebates offered are intended to incentivize C2 Market-Makers to quote competitively on the Exchange and to attract market participants to send orders to the Exchange, which will then incent Takers to trade with those orders and quotes. The differences between the Maker rebates and Taker fees are intended to cover the costs associated with operating the Exchange's trading systems necessary to provide these trading opportunities. Further, the amounts of these rebates and fees are as, or more, beneficial to C2 market participants in many circumstances as those offered on other exchanges.<sup>6</sup> The Exchange proposes to not provide a rebate to simple orders in equity options that trade with Public Customer complex orders in equity options because the Exchange also proposes to provide a rebate for Public Customer complex orders, and it would not be economically feasible or viable to provide a rebate on an order that is trading with an order that is not generating a fee (as this would result in a net negative for the Exchange). In such a circumstance, there will be no fee or rebate.

The Exchange also proposes to adopt a new fees structure for complex orders in equity options classes. Currently, Section 1D of the Exchange Fees Schedule states: "For all complex order transactions in equity options classes, all components of such transactions (including simple, non-complex orders and/or quotes that execute against a complex order) will be assessed no fee (or rebate)." The Exchange proposes to delete this language and instead adopt a Maker/Taker fee and rebate structure for complex orders in equity options

<sup>6</sup> See NYSE Arca, Inc. ("NYSE Arca") Options Fee Schedule, which lists, for electronic executions in Penny Pilot issues, 1) the standard Customer Maker rebate of \$0.25 per contract versus a Taker fee of \$0.47, 2) the standard NYSE Arca Market Maker Maker rebate of \$0.28 versus a Taker fee of \$0.49, and 3) the standard Firm and Broker Dealer Maker rebate of \$0.10 versus a Taker fee of \$0.49; and for electronic executions in non-Penny Pilot issues, 1) the standard Customer Maker rebate of \$0.75 versus a Taker fee of \$0.85, 2) the standard NYSE Arca Market Maker Maker rebate of \$0.05 versus a Taker fee of \$0.87, and 3) the standard Firm and Broker Dealer Maker fee of \$0.50 versus a Taker fee of \$0.89 (it should be noted that all fee and rebate amounts described in this footnote are the standard amounts listed on the NYSE Arca Options Fee Schedule and do not take into account any NYSE Arca programs that provide rebates or credits to NYSE Arca market participants based on volume transacted on NYSE Arca or other such NYSE Arca programs).

classes, one that mirrors the structure (and even the fee amounts) of that which applies to complex orders in multiply-listed index, ETF and ETN options classes. The following rates apply to complex orders in equity options classes. Listed rates are per contract.

	Maker fee/ (rebate)	Taker fee/ (rebate)
Public Customer	* (\$ .35)	* (\$ .35)
C2 Market-Maker .....	\$ .10	\$ .45
All Other Origins (Professional Customer, Firm, Broker/ Dealer, non- C2 Market- Maker, JBO, etc.) .....	\$ .20	\$ .45
Trades on the Open .....	\$ .00	\$ .00

The purpose of this change is to align and improve the Exchange's competitive position in relation to other exchanges. Additionally, the Exchange proposes to denote in an asterisk on the Fees Schedule that the rebate will only apply to Public Customer complex orders that trade with non-Public Customer complex orders. In other circumstances, there will be no Maker or Taker fee or rebate. This is because, if the Exchange offered the rebate when a Public Customer complex order trades with another Public Customer complex order, the Exchange would be providing a rebate on both sides of the order. It would not be economically feasible or viable to provide a rebate on an order that is trading with an order that is not generating a fee (as this would result in a net negative for the Exchange). Finally, the amounts of these rebates and fees are as, or more, beneficial to C2 market participants in many circumstances as those offered on other exchanges.<sup>7</sup>

Just as the Exchange handles complex orders in multiply-listed index, ETF and ETN options classes, for transactions in which simple, non-complex orders execute against a complex order, each

<sup>7</sup> See Boston Options Exchange LLC ("BOX") Fee Schedule, Section III, which denotes that BOX Market-Makers can pay anywhere from \$0.10 to \$0.80 for a complex order execution (depending on the type of order it executes against and the options class), with most described fees listed at least \$0.40, and orders from all other origins (not including Public Customers) can pay anywhere from \$0.20 to \$0.80 for a complex order execution (depending on the type of order it executes against and the options class), with most described fees listed at least \$0.40 and a few listed at \$0.80. See also NASDAQ OMX PHLX LLC ("PHLX") Pricing Schedule, Section II, under which Public Customers receive no rebate for complex order executions in multiply-listed equity options.

component of the complex order will be assessed the complex order fees listed in Section 1D of this Fees Schedule, while the simple, non-complex orders will be assessed the transaction fees listed in Section 1B of this Fees Schedule. For transactions in which a complex order executes against another complex order, each component of the complex order will be assessed the complex order fees listed in Section 1D of this Fees Schedule. This follows common sense; when a market participant submits an order, he likely does not know whether it will trade with a simple or complex order, and should get assessed the fee amount applicable to the type of order he submits, regardless of what type of order with which it trades.

As with complex orders in multiply-listed index, ETF and ETN options classes, for executions that occur within the Complex Order Auction ("COA") against auction responses, the incoming/auctioned order is considered maker, and auction responses are considered taker. This is because the incoming/auctioned order is the one creating trading interest, and the response is taking that interest.

For the newly-proposed fees structures that apply to both simple and complex orders in equity options, the Exchange proposes to assess no fees and offer no rebates for Trades on the Open. Trades on the Open involve the matching of undisplayed pre-opening trading interest. As such, there is, in effect, no Maker or Taker activity occurring. The Exchange would like to encourage users to submit pre-opening orders. The Exchange also does not assess fees or offer rebates for Trades on the Open in multiply-listed index, ETF and ETN options classes (for both simple and complex orders).

The Exchange also proposes to raise the PULSe On-Floor Workstation ("PULSe") fee. Currently, the Exchange charges a fee of \$350 per month for the first 10 users of a Permit Holder workstation and \$100 per month for all subsequent users. Permit Holders may also make the workstation available to their customers, which may include non-broker dealer public customers and non-Permit Holder broker dealers (referred to herein as "non-Permit Holders"). For such non-Permit Holders workstations, the Exchange charges a fee of \$350 per month per workstation. The Exchange proposes raising the PULSe On-Floor Workstation fee from \$350 per month to \$400 per month for both Permit Holder and non-Permit Holder workstations. The Exchange expended significant resources developing PULSe, and intends to recoup some of those costs.

As the Exchange proposes to amend the Fees Schedule to set transaction fees and rebates for equity options at the same rates as those for multiply-listed index, ETF and ETN options classes, the Exchange therefore also proposes to standardize Linkage Routing fees for equity options and multiply-listed index, ETF and ETN options. Currently, Section 2 of the Exchange Fees Schedule states that \$0.65 per routed contract in addition to applicable C2 taker fee (excluding Public Customer orders in equity options classes). For Public Customer orders in equity options classes, C2 shall pass through the actual transaction fee assessed by the exchange(s) to which the order was routed. In order to achieve the above-mentioned standardization, as well as cover the costs associated with managing the Exchange's Linkage systems and processes, the Exchange proposes to delete the language that excludes Public Customer orders in equity classes from the stated fee that applies to all other Linkage routing and provides a separate fee structure for such orders.<sup>8</sup> Going forward, the Exchange proposes to merely state in Section 2 of the Fees Schedule that the Linkage Routing fee will be "\$0.65 per routed contract in addition to applicable C2 taker fee."

Finally, as of January 2, 2015, the Exchange no longer lists Mini-Options. Accordingly, the Exchange proposes to delete from the Fees Schedule all references to Mini-Options, as such references are no longer necessary and will be obsolete.

## 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>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</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,

<sup>8</sup> As such, the Exchange proposes to delete the language "(excluding Public Customer orders in equity options classes). For Public Customer orders in equity options classes, C2 shall pass through the actual transaction fee assessed by the exchange(s) to which the order was routed" from Section 2 of the Fees Schedule.

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that it is equitable and not unfairly discriminatory to assess lower fees to Public Customers as compared to other market participants and to provide higher rebates to Public Customers as compared to other market participants other than Market-Makers in some circumstances because as noted above, Public Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Public Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The fees and rebates offered to Public Customers are intended to attract more Public Customer trading volume to the Exchange. Moreover, the options industry has a long history of providing preferential pricing to Public Customers, and the Exchange's current Fees Schedule currently does so in many places, as do the fees structures of many other exchanges. Finally, all fee amounts listed as applying to Public Customers will be applied equally to all Public Customers (meaning that all Public Customers will be assessed the same amount).

The Exchange believes that it is equitable and not unfairly discriminatory to, in some circumstances, assess lower fees to Market-Makers as compared to other market participants other than Public Customers and provide higher rebates to C2 Market-Makers as compared to other market participants because C2 Market-Makers, unlike other C2 market participants, take on a number of obligations, including quoting obligations, that other market participants do not have. Further, these lower fees and higher rebates offered to C2 Market-Makers are intended to incent C2 Market-Makers to quote and

trade more on C2, thereby providing more trading opportunities for all C2 market participants. Finally, all fee amounts listed as applying to C2 Market-Makers will be applied equally to all C2 Market-Makers (meaning that all C2 Market-Makers will be assessed the same amount). This concept also applies to orders from all other origins. It should also be noted that all fee amounts described herein are intended to attract greater order flow to the Exchange, which should therefore serve to benefit all Exchange market participants.

The Exchange believes that the proposed increases to Taker fees for simple, non-complex orders in all multiply-listed index, ETF and ETN options classes (except RUT) are reasonable because the proposed fee amounts are equivalent to, and in some cases lower than, those assessed for similar orders by other exchanges.<sup>12</sup>

The Exchange believes that the proposed increase in the Taker fee for complex orders from C2 Market-Makers and all other origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) except Public Customers in multiply-listed index, ETF and ETN options classes (except RUT) is reasonable, equitable, and not unfairly discriminatory because the proposed fee amount is in the range of, and in some cases much lower than, those assessed for similar orders by other exchanges.<sup>13</sup>

The Exchange believes that the proposed new fee and rebate structure for simple, non-complex orders in equity options is reasonable, equitable and not unfairly discriminatory because the Exchange also believes that the proposed new structure will better allow the Exchange to compete for, and attract more, trading flow, which will benefit all C2 market participants. The rebates offered are intended to encourage C2 Market-Makers to quote more often and attract market participants to send orders to the Exchange, which will then incent Takers to trade with those orders and quotes. The Exchange believes that the proposed new fee and rebate structure is also reasonable because it may make it easier for market participants to determine what their fees will be. The

<sup>12</sup> See NOM Price List, which lists fees for Customer orders that remove liquidity in Penny Pilot options at \$0.48 per contract and non-Penny Pilot options at \$0.85 per contract, and for non-Customer orders that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

<sup>13</sup> See NOM Price List, which lists fees for orders from market participants other than Customers that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

Exchange believes that the differences between the Maker rebates and Taker fees are reasonable, equitable and not unfairly discriminatory because they are intended to cover the costs associated with operating the Exchange's trading systems necessary to provide these trading opportunities. Further, the amounts of these rebates and fees are as, or more, beneficial to C2 market participants in many circumstances as those offered on other exchanges.<sup>14</sup> The Exchange believes that its proposal to not provide a rebate for simple orders in equity options that trade with Public Customer complex orders in equity options is reasonable, equitable and not unfairly discriminatory because the Exchange also proposes to provide a rebate for Public Customer complex orders, and it would not be economically feasible or viable to provide a rebate on an order that is trading with an order that is not generating a fee (as this would result in a net negative for the Exchange). Finally, the Exchange believes that the proposed new fee and rebate structure for simple, non-complex orders in equity options is equitable and not unfairly discriminatory because the structure and fee amounts are identical to those which apply to simple, non-complex orders in multiply-listed index, ETF and ETN options classes.

The Exchange believes that the proposed new fee and rebate structure for complex orders in equity options is reasonable, equitable and not unfairly discriminatory because the Exchange also believes that the lower fees for C2 Market-Maker orders as compared to other market participants other than Public Customers will encourage C2 Market-Makers to quote more often and send more orders to the Exchange, thereby providing more liquidity and trading opportunities for other market participants. The Exchange believes that offering a rebate for Public Customer

<sup>14</sup> See NYSE Arca Options Fee Schedule, which lists, for electronic executions in Penny Pilot issues, (1) the standard Customer Maker rebate of \$0.25 per contract versus a Taker fee of \$0.47, (2) the standard NYSE Arca Market Maker Maker rebate of \$0.28 versus a Taker fee of \$0.49, and (3) the standard Firm and Broker Dealer Maker rebate of \$0.10 versus a Taker fee of \$0.49; and for electronic executions in non-Penny Pilot issues, (1) the standard Customer Maker rebate of \$0.75 versus a Taker fee of \$0.85, (2) the standard NYSE Arca Market Maker Maker rebate of \$0.05 versus a Taker fee of \$0.87, and (3) the standard Firm and Broker Dealer Maker fee of \$0.50 versus a Taker fee of \$0.89 (it should be noted that all fee and rebate amounts described in this footnote are the standard amounts listed on the NYSE Arca Options Fee Schedule and do not take into account any NYSE Arca programs that provide rebates or credits to NYSE Arca market participants based on volume transacted on NYSE Arca or other such NYSE Arca programs).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

complex orders, whether Maker or Taker, will attract Public Customer orders to the Exchange. Since other market participants prefer to trade with Public Customer orders, this will in turn attract other market participants to send orders to the Exchange. The Exchange believes that the differences between the Maker and Taker fees are reasonable, equitable and not unfairly discriminatory because they are intended to cover the costs associated with operating the Exchange's trading systems necessary to provide these trading opportunities. The Exchange believes that not offering a rebate to Public Customer complex orders that trade with other Public Customer orders is reasonable, equitable and not unfairly discriminatory because this would result in the Exchange providing a rebate on both sides of a transaction, and it would not be economically feasible or viable to provide a rebate on an order that is trading with an order that is not generating a fee (as this would result in a net negative for the Exchange). Further, the amounts of these rebates and fees are as, or more, beneficial to C2 market participants in many circumstances as those offered on other exchanges.<sup>15</sup> Finally, the Exchange believes that the proposed new fee and rebate structure for complex orders in equity options is equitable and not unfairly discriminatory because the structure and fee amounts are identical to those which apply to complex orders in multiply-listed index, ETF and ETN options classes.

The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to assess no fee and provide no rebate for Trades on the Open in equity options, both simple and complex orders, because this is in line with the treatment of Trades on the Open in multiply-listed index, ETF and ETN options classes. Further, all market participants will be subject to this same treatment.

The Exchange believes increasing the PULSe fee from \$350 per month to \$400 per month for the first 10 users of a Permit Holder workstation and from

\$350 to \$400 per month per workstation for non-Permit Holder workstations is reasonable because the Exchange expended significant resources developing PULSe and desires to recoup some of those costs. This change is equitable and not unfairly discriminatory because all market participants who desire to use PULSe will be assessed the same fee.

The Exchange believes that deleting the exception for Public Customer equity options orders from the standard Linkage Routing fee is reasonable because, while this change removes an exception, it merely makes Linkage Routing fees the same amount for all orders sent through the Linkage, regardless of the type of market participant sending the order or product. Indeed, this \$0.65 fee amount (plus applicable Taker fee) is reasonable because it is the amount that is currently being assessed to all market participants for all other orders, including to Public Customers for orders in multiply-listed index, ETF and ETN options classes. Similarly, the Exchange believes the proposed change is equitable and not unfairly discriminatory because it will standardize the Linkage Routing fee, meaning that this fee structure will apply to all C2 market participants trading both options and multiply-listed index, ETF and ETN options classes.

Finally, the Exchange believes removing all references to Mini-Options, which have been delisted, maintains clarity in the Fees Schedule and promotes just and equitable principles of trade by eliminating potential confusion and removing impediments to and perfecting the mechanism of a free and open market and a national market system.

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

C2 does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any circumstances in which the Exchange assesses a lower fee, or provides a higher rebate, to Public Customers will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because Public Customers order flow as discussed above enhances liquidity on the Exchange for the benefit of all market participants. These lower fees and higher rebates offered to Public Customers are intended to attract more Public Customer trading volume to the Exchange. This, in turn, would increase

liquidity and trading opportunities for other market participants on C2, and provide these other market participants with greater opportunity to trade with Public Customer orders. Therefore, the Exchange believes that these lower fees and higher rebates for Public Customers should serve to benefit all C2 market participants. Moreover, the options industry has a long history of providing preferential pricing to Public Customers, and the Exchange's current Fees Schedule currently does so in many places, as do the fees structures of many other exchanges. Finally, all fee amounts listed as applying to Public Customers will be applied equally to all Public Customers (meaning that all Public Customers will be assessed the same amount).

The Exchange does not believe that any circumstances in which the Exchange assesses a lower fee, or provides a higher rebate, to C2 Market-Makers will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because C2 Market-Makers, unlike other C2 market participants, take on a number of obligations, including quoting obligations, that other market participants do not have. Further, these lower fees and higher rebates offered to C2 Market-Makers are intended to incent C2 Market-Makers to quote and trade more on C2, thereby providing more trading opportunities for all C2 market participants. Finally, all fee amounts listed as applying to C2 Market-Makers will be applied equally to all C2 Market-Makers (meaning that all C2 Market-Makers will be assessed the same amount). This concept also applies to orders from all other origins.

The Exchange does not believe that the proposed increases to Taker fees for simple, non-complex orders in all multiply-listed index, ETF and ETN options classes (except RUT) will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because they only apply to trading on the Exchange. Further, these proposed fee amounts are equivalent to, and in some cases lower than, those assessed for similar orders by other exchanges<sup>16</sup>, and therefore shall continue to encourage competition.

<sup>16</sup> See NOM Price List, which lists fees for Customer orders that remove liquidity in Penny Pilot options at \$0.48 per contract and non-Penny Pilot options at \$0.85 per contract, and for non-Customer orders that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

<sup>15</sup> See BOX Fee Schedule, Section III, which denotes that BOX Market-Makers can pay anywhere from \$0.10 to \$0.80 for a complex order execution (depending on the type of order it executes against and the options class), with most described fees listed at at least \$0.40, and orders from all other origins (not including Public Customers) can pay anywhere from \$0.20 to \$0.80 for a complex order execution (depending on the type of order it executes against and the options class), with most described fees listed at at least \$0.40 and many [sic] listed at \$0.80. See also PHLX Pricing Schedule, Section II, under which Public Customers receive no rebate for complex order executions in multiply-listed equity options.

The Exchange does not believe that the proposed increase in the Taker fee for complex orders from C2 Market-Makers and all other origins (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.) except Public Customers in multiply-listed index, ETF and ETN options classes (except RUT) will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange. Further, the proposed fee amount is in the range of, and in some cases much lower than, those assessed for similar orders by other exchanges,<sup>17</sup> and therefore should continue to encourage competition.

The Exchange does not believe that the proposed new fee and rebate structure for simple orders in equity options will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange. The Exchange also believes that the proposed new structure will better allow the Exchange to compete for, and attract more, trading flow, thereby enhancing competition. Along those lines, the amounts of these rebates and fees are as, or more, beneficial to C2 market participants in many circumstances as those offered on other exchanges.<sup>18</sup>

The Exchange does not believe that the proposed new fee and rebate structure for complex orders in equity options will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange. The Exchange also believes that the

<sup>17</sup> See NOM Price List, which lists fees for orders from market participants other than Customers that remove liquidity in Penny Pilot options at \$0.49 per contract and non-Penny Pilot options at \$0.89 per contract.

<sup>18</sup> See NYSE Arca Options Fee Schedule, which lists, for electronic executions in Penny Pilot issues, (1) the standard Customer Maker rebate of \$0.25 per contract versus a Taker fee of \$0.47, (2) the standard NYSE Arca Market Maker Maker rebate of \$0.28 versus a Taker fee of \$0.49, and (3) the standard Firm and Broker Dealer Maker rebate of \$0.10 versus a Taker fee of \$0.49; and for electronic executions in non-Penny Pilot issues, (1) the standard Customer Maker rebate of \$0.75 versus a Taker fee of \$0.85, (2) the standard NYSE Arca Market Maker Maker rebate of \$0.05 versus a Taker fee of \$0.87, and (3) the standard Firm and Broker Dealer Maker fee of \$0.50 versus a Taker fee of \$0.89 (it should be noted that all fee and rebate amounts described in this footnote are the standard amounts listed on the NYSE Arca Options Fee Schedule and do not take into account any NYSE Arca programs that provide rebates or credits to NYSE Arca market participants based on volume transacted on NYSE Arca or other such NYSE Arca programs).

proposed new structure will better allow the Exchange to compete for, and attract more, trading flow, thereby enhancing competition.

The Exchange does not believe that the proposal to assess no fees and provide no rebates for Trades on the Open because will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange. The Exchange does not believe that this proposal will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it applies equally to all market participants.

The Exchange does not believe that the proposed change to the Linkage Routing fee will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the new proposed fee structure will apply to all market participants. The Exchange does not believe that the proposed change to the Linkage Routing fee will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it only applies to trading on the Exchange and orders sent from the Exchange to other exchanges via Linkage.

Should any of the proposed changes make C2 a more attractive trading venue for market participants at other exchanges, such market participants may elect to become market participants at C2.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f) of Rule 19b-4<sup>20</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the

Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2015-001 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-C2-2015-001. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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-C2-2015-001 and should be submitted on or before February 20, 2015.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f).

<sup>21</sup> 17 CFR 200.30-3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2015-01754 Filed 1-29-15; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74133; File No. SR-ICEEU-2015-003]

### Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Related to New Haircuts

January 26, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 23, 2015, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

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

The principal purpose of the proposed rule change is to modify the cross-currency haircuts applied by ICE Clear Europe to Permitted Cover provided by Clearing Members in order to address recent volatility in Swiss franc (“CHF”) exchange rates. The Clearing House has determined to modify the CHF cross-currency haircuts as follows:

#### PROPOSED CHF CROSS CURRENCY HAIRCUTS

Currency pair	Current haircut (%)	Proposed haircut (%)
CHF-CAD .....	10.00	16.00
CHF-CZK .....	6.00	17.25
CHF-DKK .....	6.00	17.25
CHF-EUR .....	10.00	17.25
CHF-GBP .....	10.00	16.25
CHF-HUF .....	6.00	17.25
CHF-JPY .....	6.00	16.25
CHF-NOK .....	6.00	14.75

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

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

#### PROPOSED CHF CROSS CURRENCY HAIRCUTS—Continued

Currency pair	Current haircut (%)	Proposed haircut (%)
CHF-PLN .....	6.00	18.50
CHF-SEK .....	8.00	16.00
CHF-TRY .....	6.00	17.50
CHF-USD .....	10.00	15.75
CHF-ZAR .....	6.00	19.75

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

In its filing with the Commission, ICE Clear Europe 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 III below. ICE Clear Europe has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of these statements.

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

###### 1. Purpose

Under its existing margin and haircut methodology, ICE Clear Europe imposes an additional haircut, referred to as a “cross-currency haircut,” with respect to assets provided by Clearing Members as Permitted Cover for margin obligations where the Permitted Cover is denominated in a different currency from that of the relevant margin requirement. The cross-currency haircut is designed to protect the Clearing House against exchange rate risk in the event it needs to liquidate the Permitted Cover and convert the proceeds into the currency of the relevant underlying obligation following a Clearing Member default.<sup>3</sup>

As has been publicly reported, on January 15, 2015, the Swiss central bank discontinued a policy establishing a minimum exchange rate of 1.20 Swiss francs per Euro. Very large moves in Swiss franc exchange rates followed that decision, with the result that the Swiss franc appreciated approximately 16–17% on that day against other major currencies such as the US dollar, Euro and British pound. Because that level of appreciation exceeded the existing

<sup>3</sup> Current cross-currency haircuts are set out in the List of Permitted Cover and Limits on Collateral published on the Clearing House’s Web site, [https://www.theice.com/publicdocs/clear\\_europe/list-of-permitted-covers.pdf](https://www.theice.com/publicdocs/clear_europe/list-of-permitted-covers.pdf).

cross-currency haircut of 10% applied by the Clearing House for those currency pairs, the Clearing House, consistent with its internal policies, reviewed the cross-currency haircut levels for all relevant Swiss franc currency pairs. As a result of that review, the Clearing House determined to modify the CHF cross-currency haircuts as set forth in Item I above.

In reviewing the haircuts, the Clearing House applied, consistent with its policies and practices, a value at risk model under both parametric and historical simulation methods, taking into account both recent volatility and historical volatility, and looking at both one and two day liquidation period assumptions for the relevant Permitted Cover.

###### 2. Statutory Basis

ICE Clear Europe believes that the change in CHF cross-currency haircuts is consistent with the requirements of Section 17A of the Act<sup>4</sup> and the regulations thereunder applicable to it, and in particular, is consistent with the prompt and accurate clearance of and settlement of securities transactions, the safeguarding of securities and funds in the custody or control of ICE Clear Europe and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>5</sup> ICE Clear Europe is proposing the change in response to a significant recent increase in the volatility of CHF exchange rates as observed in the market. The Clearing House has determined, based on the application of its internal policies and value at risk models, that the proposed increase in cross-currency haircuts is appropriate to protect the Clearing House against currency risk where Clearing Members provide Permitted Cover in one currency to cover margin obligations in a different currency. The change thus enhances the Clearing House’s risk management, margin framework and financial resources to support its clearing operations in the event of Clearing Member default. As a result, ICE Clear Europe believes that the change will facilitate the prompt and accurate clearance and settlement of securities and derivatives transactions, and promote the public interest and the protection of investors, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>6</sup>

<sup>4</sup> 15 U.S.C. 78q-1.

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).