

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-67134; File No. SR-C2-2012-018)

June 5, 2012

Self-Regulatory Organizations; C2 Options Exchange, Incorporated: Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Approval of Trading Permit Holders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on June 5, 2012, C2 Options Exchange, Incorporated (“C2” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by C2. 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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> the Exchange proposes to temporarily suspend the requirements of C2 Rule 3.1 and related C2 rules concerning the approval of new Permit Holders in order to approve Apex Clearing, Inc., f/k/a Ridge Clearing and Outsourcing Solutions, Inc. (“Apex Clearing”) as a C2 Permit Holder, subject to Apex Clearing complying with Exchange rules for a new Permit Holder within 30 calendar days of the date that Apex Clearing is provisionally approved as a C2 Permit Holder. The Exchange is also proposing to accept Apex Clearing’s assumption of all of the existing clearing agreements and arrangements currently in effect between Person Financial Services Inc. (“PFSI”) and various other C2 Permit Holders by execution of a global agreement

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

thereto. The text of the proposed rule change is available on the Exchange's website (<http://www.C2exchange.com>), at the Exchange's Office of the Secretary and at the Commission.

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

In its filing with the Commission, C2 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. C2 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 this rule filing to temporarily suspend the requirements of C2 Rule 3.1 and related rules regarding the approval of Permit Holders in order to immediately approve Apex Clearing as a C2 Permit Holder. The Exchange proposes this temporary suspension on an emergency basis to ensure that Apex Clearing can continue the clearing operations of PFSI without unnecessary disruption, which could have a significant collateral impact to a number of other Permit Holders. The proposed temporary suspension is contingent upon Apex having complied with all new Permit Holder Exchange rules within 30 calendar days of the date Apex is provisionally approved as a C2 Permit Holder pursuant to this filing.

On May 31, 2012, Apex Clearing Holdings, LLC ("Apex Holdings"), Apex Clearing Solutions, LLC, Broadridge Financial Solutions, Inc. ("Broadridge"), PFSI and Penson Worldwide, Inc. ("PWI") (together, the "Parties") consummated a transaction resulting in a

change in ownership of Apex Clearing.<sup>2</sup> Broadridge, Apex Holdings, PWI and PFSI each made capital investments in Apex Holdings, the holding company parent of Apex Clearing. PFSI also assigned all of its U.S. clearing contracts and all customer and introducing broker proprietary accounts along with key personnel to Apex Clearing (the “Transferring Accounts”).<sup>3</sup>

As a result of the transaction, Apex Clearing, which is not a C2 Permit Holder, will provide the clearing and execution services currently provided to the Transferring Accounts by PFSI. On May 31, 2012, Apex Clearing submitted an application for approval as a C2 Permit Holder. However, because of the expedited nature of the transaction, Apex Clearing was unable to fully comply with C2 Rule 3.1 and related new Permit Holder rules. Because of the need for seamless continuity with respect to the Transferring Accounts, Apex Clearing has requested that the Exchange temporarily suspend its rules applicable to new Permit Holders in order to enable Apex Clearing’s approval as a Permit Holder on an expedited basis. Pursuant to its request, Apex Clearing will fully comply with the Exchange’s new Permit Holder requirements within 30 calendar days after the provisional approval.

C2 Rule 3.1 sets forth the application process for becoming a C2 Permit Holder, including the requirements for Trading Permit Holders at the Chicago Board Options Exchange, Incorporated (“CBOE”). A CBOE Trading Permit Holder in good standing is eligible to receive one Trading Permit. CBOE Trading Permit Holder applicants are not required to complete and

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<sup>2</sup> Prior to the Transaction, Apex Clearing’s name was Ridge Clearing & Outsourcing Solutions, Inc. Prior to the transaction, Ridge Clearing & Outsourcing Solutions, Inc. contributed its outsourcing operations and all associated personnel and systems to its affiliated entity, Broadridge Securities Processing Solutions, LLC (“BSPS”) where it will continue to provide operations support and outsourcing services to a number of broker-dealers, including Apex Clearing.

<sup>3</sup> See Penson Worldwide, Inc. Form 8-K dated May 31, 2012.

submit an Exchange application but are instead required to complete and submit only Exchange forms concerning electing to trade on the Exchange, submitting to Exchange jurisdiction and operational matters need to be completed and tendered.

C2 Rule 3.1 requires non-CBOE Trading Permit Holders to submit, among other things, (i) an application in accordance with such procedures as shall be established by the Exchange and (ii) any additional information requested by the Exchange in connection with the Exchange's review of the application. The Exchange may approve an application submitted pursuant to C2 Rule 3.1 only if any investigation has been completed, and any applicable orientation and/or exam requirements established by the Exchange have been satisfied.

In addition, the Exchange reviews whether the applicant meets federal and C2 capital requirements and whether it has adopted controls and procedures to comply with Exchange rules.

Due to the amount of information an applicant is required to provide and have completed prior to being approved as a Permit Holder, the Permit Holder approval process generally takes several weeks to complete. The length of time varies based on the timing of the applicant's response to requests for information and documentation.

As proposed, Apex Clearing will continue the clearing and certain other operations of PFSI as of June 6, 2012. In order to avoid interruption of the services PFSI currently provides to other Exchange Permit Holders, C2 believes that Apex Clearing should be approved immediately as a C2 Permit Holder. The Exchange notes that Apex Clearing is already a registered broker dealer and FINRA member.

The Exchange therefore proposes providing Apex Clearing with a temporary suspension of C2 Rule 3.1 and any additional rules as they relate to approval to operate a C2 Permit Holder

and approval of a proposed Permit Holder's associated persons (as applicable), and immediately approve Apex as a Permit Holder. As proposed this temporary suspension is contingent upon:

- Apex providing the Exchange with sufficient information to confirm that Apex will meet its capital requirements as a C2 Permit Holder; and
- Within 30 calendar days of Apex Clearing's provisional approval as a C2 Permit Holder under this proposed filing, Apex Clearing and its approved persons will have complied with the Exchange's requirements for new Permit Holders as set forth in C2 Rule 3.1 and any additional rules related to the approval to operate a C2 Permit Holder and approval of a proposed Permit Holder's associated persons (as applicable).

As proposed, if Apex Clearing does not comply with all applicable C2 Permit Holder application requirements within 30 calendar days of the date of the provisional approval, its status as an approved C2 Permit Holder will no longer be effective.

In addition, the Exchange proposes to permit Apex Clearing to assume all existing clearing agreements and arrangements currently in effect with other C2 Permit Holders by execution of global agreements thereto. Notice of such assumption will be provided to impacted Trading Permit Holders through issuance of an Information Circular prior to the effective date thereof.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>4</sup> of the Securities Exchange Act of 1934 (the "Act"), in general, and furthers the objectives of Section 6(b)(5)<sup>5</sup> in particular in that it is designed to promote just and equitable principles of trade, to

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

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

prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that permitting the expeditious approval of Apex Clearing as a C2 Permit Holder will avoid interruption of the services PFSI currently provides to other Exchange Permit Holders. Based on information and representations provided by Apex Clearing, a temporary suspension of certain C2 rules related to the approval of a Permit Holder is needed based on the expedited nature of the transaction to enable seamless continuity with respect to the transferring accounts. Consequently, C2 believes that temporary suspension of these requirements so that Apex can be approved immediately as a C2 Permit Holder will help to foster cooperation and coordination with persons engaged in facilitating transactions in securities and is consistent with the Act.

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 purposes of the Act.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>9</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>10</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>11</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange has asked the Commission to waive the five-day pre-filing requirement and the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. The Commission notes that the Exchange is proposing that certain of its rules relating to membership requirements be temporarily suspended so that Apex Clearing can be provisionally approved as a C2 Trading Permit Holder. The proposed relief does not exempt Apex Clearing from Exchange rule requirements governing C2 Trading Permit Holders. Apex Clearing would have a 30 calendar day grace period within which to apply for and be approved under relevant Exchange rules. Moreover, the Commission believes that waiver of the 30-day operative delay is appropriate to ensure a smooth transition of PFSI operations to Apex Clearing. In particular, given the rapidity with which events have developed, waiver of the 30-day operative delay is necessary to avoid significant disruption to PFSI's existing customers and

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission is waiving this five-day pre-filing requirement.

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

the market generally. Therefore, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest and designates the proposed rule change as operative upon filing.<sup>12</sup>

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 shall institute proceedings to determine whether the proposed rule 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2012-018 on the subject line.

##### Paper comments:

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

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<sup>12</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).



All submissions should refer to File Number SR-C2-2012-018. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 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-C2-2012-018 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>

Kevin M. O'Neill  
Deputy Secretary

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