SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations: C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Qualification and Registration of Permit Holders

November 10, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b–4 thereunder, notice is hereby given that on November 2, 2015, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) filed with the Commission a 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 Interpretation and Policy .07 to Rule 3.4 (Qualification and Registration) regarding the categories of registration and respective qualification examinations required for individual Permit Holder (sic) and associated persons of Permit Holders that engage in the securities activities of the Permit Holder on the Exchange. Specifically, the Exchange proposes to replace the Proprietary Trader registration category and the Series 56 Proprietary Trader registration qualification examination for Proprietary Traders with the Securities Trader category of registration and the Series 57 Securities Trader registration qualification examination for Securities Traders respectively. The text of the proposed rule change is available on the Exchange’s Web site (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those 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 Interpretation and Policy .07 to Rule 3.4 (Qualification and Registration) to replace the Proprietary Trader (PT) registration category and qualification examination (Series 56) with the Securities Trader (TD) registration category and qualification examination (Series 57). In addition, the Exchange proposes to replace the Proprietary Trader Principal (TP) registration category with a Securities Trader Principal (TP) registration category for individual TPUs or associated person [sic] who either: (i) Supervise or monitor proprietary trading, market-making and/or brokerage activities for broker-dealers; (ii) supervise or train those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (iii) are owners, partners or directors of a Permit Holder, as described in paragraph (a)(2) of Interpretation and Policy .07 to Rule 3.4. The Exchange also proposes to replace the Proprietary Trader Compliance Officer (CT) registration category with the Securities Trader Compliance Officer (CT) registration category for Chief Compliance Officers (or individuals performing similar functions) of a TPH or TPH organization. This filing is, in all material respects, based upon SR–FINRA–2015–017, which was recently approved by the Securities and Exchange Commission (“SEC” or “Commission”).

Rule 3.4 sets forth various qualification and registration requirements that individual Permit Holders and associated persons must satisfy in order to transact business on the Exchange. Among the qualification and registration requirements set forth in Rule 3.4, Interpretation and Policy .07 provides that individual Permit Holders and associated persons that engage in proprietary trading, market-making, or effect transactions on behalf of a broker-dealer must register and qualify as a Proprietary Trader (TP) in WebCRD. To qualify as a Proprietary

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Trader, individual Permit Holders and associated persons must either pass the Series 56 Proprietary Trader qualification examination or Series 7 General Securities Representative qualification examination. Several exchanges, including C2 currently use the Series 56 examination as a qualification standard. Interpretation and Policy .07 to Rule 3.4 further requires that individual Permit Holders and associated persons with supervisory responsibility over proprietary trading activities or who is [sic] an officer, partner, or director of a Permit Holder or Permit Holder organization qualify and register as a Proprietary Trader Principal. Specifically, under paragraph (a)(2) of Interpretation and Policy .07 to Rule 3.4, an individual Permit Holder or associated person who either: (i) Supervises or monitors proprietary trading, market-making and/or brokerage activities for broker-dealers; (ii) supervises or trains those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (iii) is an officer, partner or director of a Permit Holder is required register and qualify as a Proprietary Trader Principal. 

The Exchange proposes to replace the Series 56 qualification examination with the Series 57 qualification examination for those registration categories where the Series 56 is currently an acceptable qualification standard. Specifically, with respect to the Proprietary Trader registration categories identified in Interpretation and Policy .07 to Rule 3.4, the Exchange proposes to replace the Proprietary Trader (PT) registration category with the Securities Trader (TD) registration category as well as eliminate the current Series 56 Proprietary Trader Exam prerequisite and, instead, include a Series 57 Securities Trader qualification examination in its place.

The Exchange will announce the effective date of the proposed rule change in a Regulatory Circular. Currently, the Exchange intends for the effective date to be January 4, 2016. Under the proposed rule, individual Permit Holders and associated persons who have passed the General Securities Representative (Series 7) qualification examination and who have registered as Proprietary Trader (Series 56) qualification examination and who have registered as Proprietary Trader (Series 56) in WebCRD on or before the effective date of the proposed rule change and individual Permit Holders and associated persons who have passed the General Securities Representative (Series 7) qualification examination and who have registered as Proprietary Traders (PT) in WebCRD on or before the effective date of the proposed rule change would be grandfathered as Securities Traders (TDs) without having to take any additional examinations or without having to take any other action, provided that the individual TP’s or associated person’s registration has not been revoked by the Exchange as a disciplinary sanction and no more than two years have passed between the date that the individual Permit Holder or associated person last registered as a Proprietary Trader (PT) and the effective date. After the effective date, an individual Permit Holder or associated person would need to pass the new Series 57 Securities Trader qualification examination and register as a Securities Trader (TD).

In addition, individual Permit Holders and associated persons who have either passed the Proprietary Trader (PT) qualification examination or the General Securities Representative (Series 7) qualification examination and who have registered as Proprietary Traders (PT) in WebCRD on or before the effective date of the proposed rule change and who have also passed the General Securities Principal (Series 24) qualification examination (or have completed any of the alternative acceptable qualifications requirements for the Exchange).

The Proprietary Trader Principal (PT) and Proprietary Trader Compliance Officer (CT) registration categories would be replaced with the renamed registration categories of Securities Trader Principal (PT) and Securities Trader Compliance Officer respectively (CT).

The Exchange will announce the effective date of the proposed rule change in a Regulatory Circular.
as defined in current Interpretation and Policy .07(b) to Rule 3.4) and who have also registered as Proprietary Trader Principals (TP) in WebCRD on or before the effective date of the proposed rule change would be eligible to register as Securities Trader Principals (TPs), provided that the individual Permit Holders or associated person’s registration has not been revoked by the Exchange as a disciplinary sanction and no more than two years have passed between the date that the individual Permit Holder or associated person last registered as a Proprietary Trader Principal (TP) and the date they [sic] register as a Securities Trader Principal (TP).13 After the effective date, a Securities Trader Principal (TP) would need to pass the Securities Trader (Series 57) qualification examination and the General Securities Principal (Series 24) qualification examination (or have completed any of the alternative acceptable qualifications as defined in current Interpretation and Policy .07(b) to Rule 3.4) and be registered as such in order to register as a Securities Trader Principal (TP).14

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.15 Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)16 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)17 requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. In particular, the Exchange believes that adoption of the Securities Trader registration category and Series 57 Securities Trader qualification examination registration requirement is consistent with the Act. FINRA has indicated that the Series 57 qualification examination is being developed in an effort to adopt a more tailored examination. The Exchange believes that a more tailored qualification examination for individual Permit Holders and associated persons engaged in trading activities is a measure designed to help ensure professionalism among market participants, prevent fraudulent and manipulative practices, and promote just and equitable principles of trade. The Exchange also believes that it is in the interests of investors and the general public to develop a more tailored qualification examination for proprietary traders and that a more uniform qualification standard may help ensure fair and orderly markets. Furthermore, the Exchange believes that it is in the interests of all market participants to provide consistent qualification and registration requirements across markets. The Exchange believes that harmonizing the Exchange’s qualification and registration requirements with those of FINRA and the other national securities exchanges would further such interests.

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 the proposed rule change relating to Securities Traders, which is, in all material respects, based upon and substantially similar to, recent rule changes adopted by FINRA and which is being filed in conjunction with similar filings by the other national securities exchanges, will reduce the regulatory burden placed on market participants engaged in trading activities across different markets. The Exchange believes that the harmonization of these registration requirements across the various markets will reduce burdens on competition by removing impediments to participation in the national market system and promoting competition among participants across the multiple national securities exchanges.

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 Act18 and Rule 19b–4(f)(6)19 of the Exchange Act. The Exchange believes that the proposed rule change does not:

1. Significantly affect the protection of investors or the public interest;
2. impose any significant burden on competition; and
3. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

The Exchange believes that 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);
• Send an email to rule-comments@sec.gov. Please include File Number SR–C2–2015–027 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–C2–2015–027. 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–C2–2015–027 and should be submitted on or before December 8, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.20

Robert W. Errett,
Deputy Secretary.

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Self-Regulatory Organizations; ISE Gemini, LLC; Notice of Filing of Proposed Rule Change Relating to a Corporate Transaction Involving Its Indirect Parent

November 10, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on October 30, 2015, ISE Gemini, LLC (the “Exchange” or the “ISE Gemini”) 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 by the self-regulatory organization. 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 the Substance of the Proposed Rule Change

The Exchange proposes to remove Eurex Frankfurt AG (“Eurex Frankfurt”) as an indirect, non-U.S. upstream owner of the Exchange (the “Transaction”). In order to consummate the Transaction, the Exchange proposes to: (i) Amend and restate the Third Amended and Restated Trust Agreement (the “Trust Agreement”) that exists among International Securities Exchange Holdings, Inc. (“ISE Holdings”), U.S. Exchange Holdings, Inc. (“U.S. Exchange Holdings”), and the Trustees (as defined therein) in order to remove references to Eurex Frankfurt; and (ii) amend and restate the Third Amended and Restated Certificate of Incorporation of U.S. Exchange Holdings (“U.S. Exchange Holdings’ COI”) to update a reference therein to the Trust Agreement.


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

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposal is to remove Eurex Frankfurt as an indirect, non-U.S. upstream owner of the Exchange.3

Background

On December 17, 2007, ISE Holdings, the sole, direct parent of the Exchange, became a direct, wholly-owned subsidiary of U.S. Exchange Holdings. U.S. Exchange Holdings is 85% directly owned by Eurex Frankfurt and 15% directly owned by Deutsche Börse AG (“Deutsche Börse”). Eurex Frankfurt is a wholly-owned, direct subsidiary of Deutsche Börse.4 Deutsche Börse therefore owns 100% of U.S. Exchange Holdings through its aggregate direct and indirect ownership.

The Transaction

The Transaction is designed to simplify the indirect ownership structure of the Exchange.5 The Transaction will not have any effect on ISE Holdings’ direct ownership of the Exchange or the operations of the Exchange. Consummation of the Transaction is subject to approval of this proposed rule change by the Commission.6 In order to effectuate the Transaction, on or about December 31, 2015, Eurex Frankfurt will transfer its 85% ownership in U.S. Exchange Holdings to Deutsche Börse.7 As a result of the Transaction, Eurex Frankfurt will cease to be a Non-U.S. Upstream Owner of the Exchange, as Deutsche Börse will be the sole, direct owner of U.S. Exchange Holdings.8 U.S. Exchange exchange on July 26, 2013. See Securities Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (File No. 10–209). The Exchange was originally named “Topaz Exchange, LLC.”

Each of Deutsche Börse and Eurex Frankfurt is referred to as a “Non-U.S. Upstream Owner” and collectively as the “Non-U.S. Upstream Owners.” Each of the Non-U.S. Upstream Owners has previously taken appropriate steps to incorporate provisions regarding ownership, jurisdiction, books and records, and other issues related to their control of the Exchange. Specifically, each of the Non-U.S. Upstream Owners has adopted resolutions, which were previously approved by the Commission, to incorporate these concepts with respect to itself, as well as its board members, officers, employees, and agents (as applicable), to the extent that they are involved in the activities of the Exchange. See File No. 10–209, supra note 3.


See infra notes 14 and 15.

As referenced above, Deutsche Börse is already the 100% indirect owner of Eurex Frankfurt. In addition, Deutsche Börse also is already an approved Non-U.S. Upstream Owner of the Exchange. See supra note 7.

In connection with each of their ownership interests in the Exchange, Deutsche Börse, Eurex Frankfurt, U.S. Exchange Holdings, ISE Holdings and ISE became parties to an agreement to provide for adequate funding for the Exchange’s regulatory responsibilities. The Exchange subsequently became a party to the agreement. ISE Gemini subsequently became a party to the agreement. Following the completion of the Transaction, Eurex