



Date: May 22, 2012

To: CBOE and CBSX Trading Permit Holders and TPH Organizations

From: Registration Services Department
Regulatory Services Division
Legal Division

Re: Registration and Qualification Requirements

Exchange Rule 3.6A has been amended to, among other things, (i) codify into the Exchange's rules required registration categories for Trading Permit Holders and TPH organizations that conduct proprietary trading, market-making and/or that effect transactions on behalf of broker dealers; (ii) specify the acceptable qualification requirements for Trading Permit Holders and TPH organizations that conduct proprietary trading, market-making and/or that effect transactions on behalf of broker dealers; (iii) add an interpretation to state explicitly in the rule that individual Trading Permit Holders and individual associated persons must satisfy all registration and qualification requirements prior to acting in such registered capacity on behalf of a Trading Permit Holder or TPH organization; and (iv) clarify the requirements applicable to Proprietary Trader Principals (TP) associated with a Trading Permit Holder or TPH organization.

Individuals seeking registration as a Proprietary Trader (PT), as a Proprietary Trader Principal (TP) and/or as a Proprietary Trader Compliance Officer (CT) have satisfied the qualification requirements for these registration categories if they have passed the required qualification examination(s) and/or if they maintain the alternative acceptable qualification(s). It is not necessary for Trading Permit Holders and TPH organizations to submit a waiver request to the Exchange for an individual that has either passed the required qualification examination(s) and/or maintains the alternative acceptable qualifications. As a result of this rule change and as a follow up to Regulatory Circular RG12-028 (<http://www.cboe.com/publish/RegCir/RG12-028.pdf>), an individual associated person or individual Trading Permit Holder seeking registration as a Proprietary Trader (PT) that maintains the General Securities Representative (GS)/Series 7 registration meets the alternative acceptable qualification requirements for the Proprietary Trader (PT) registration category and is no longer required to file a separate waiver request with the Exchange.

Kerry Adler, Legal Division: (312) 786-8093
 Larry Bresnahan, Department of Member Firm Regulation: (312) 786-7713
 Stan Leimer, Registration Services Department: (312) 786-7299

¹ See Securities Exchange Act Release 67000 (<http://www.sec.gov/rules/sro/cboe/2012/34-67000.pdf>).

The text of the proposed rule change is provided below (additions are underlined; deletions are [bracketed]):

Chicago Board Options Exchange, Incorporated

Rules

* * * * *

Rule 3.6A. Qualification and Registration of Trading Permit Holders and Associated Persons

(a) – (e) No Change.

. . . Interpretations and Policies:

.01 - .04 No Change.

.05 The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination and accept other standards as evidence of an applicant's qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination. [Individual Trading Permit Holders and associated persons that are required to register and qualify under Exchange Rules 3.6A(a) and 3.6A(c) are not required to request a waiver and may be granted a registration and qualification in the appropriate registration category prescribed by the Exchange pursuant to Rules 3.6A(a) and 3.6A(c) if such Individual Trading Permit Holder or associated person has submitted a Form U4 reflecting the required registration category (e.g., Proprietary Trader), fulfilled the appropriate substitute qualification requirements and maintains the applicable substitute registration with CBOE or another self-regulatory organization in WebCRD at the time of submission of the Form U4:

CBOE QUALIFICATION EXAMINATION REQUIRED	ACCEPTABLE SUBSTITUTE QUALIFICATION EXAMINATION
Series 56*	Series 7*
Series 14	Series 24
Series 24	Series 9/10 <i>and</i> Series 23**

*Any individual seeking an automatic waiver of the Series 56 examination in accordance with this Interpretation and Policy .05 to Rule 3.6A must complete all registration requirements in WebCRD for the Proprietary Trader designation no later than December 31, 2011.

**Because the Series 23 is not available in WebCRD, each applicant must provide documentation of a valid Series 23 license to the Registration Services Department upon request for the Series 24

registration in WebCRD. In addition, the requirement that the applicant maintain the applicable substitute registration in WebCRD does not apply to the Series 23.]

.06 No Change.

.07 Each Trading Permit Holder and TPH organization must register with the Exchange in a heightened capacity each individual acting in any of the following capacities: (i) officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities. Each Trading Permit Holder or TPH organization must register with the Exchange at least two individuals acting in one or more of the capacities described in (i)-(v) above. The Exchange may waive this requirement if a Trading Permit Holder or TPH organization demonstrates conclusively that only one individual acting in one or more of the capacities described in (i) through (v) above should be required to register. In addition, [A] a Trading Permit Holder or TPH organization that conducts proprietary trading only and has 25 or fewer registered persons shall [only] instead be required to have a minimum of one officer or partner who is registered in this capacity.

For purposes of this Interpretation and Policy .07 to Rule 3.6A, a Trading Permit Holder or TPH organization shall be considered to conduct only proprietary trading if the Trading Permit Holder or TPH organization has the following characteristics:

- (a) The Trading Permit Holder or TPH organization is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;
- (b) All funds used or proposed to be used by the Trading Permit Holder or TPH organization are the Trading Permit Holder's or TPH organization's own capital, traded through the Trading Permit Holder's or TPH organization's own accounts;
- (c) The Trading Permit Holder or TPH organization does not, and will not, have customers; and
- (d) All persons registered on behalf of the Trading Permit Holder or TPH organization acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Trading Permit Holder or TPH organization.

.08 (a) An individual Trading Permit Holder or individual associated person who:

- (1) is engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Proprietary Trader (PT) in WebCRD;
- (2) (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 Trading Permit Holder or TPH organization is required to register and qualify as a Proprietary Trader Principal (TP) in WebCRD and satisfy the prerequisite registration and qualification requirements; and

(3) is a Chief Compliance Officer (or performs similar functions) for a Trading Permit Holder or TPH organization that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Proprietary Trader Compliance Officer (CT) in WebCRD and satisfy the prerequisite registration and qualification requirements.

(b) The following sets forth the qualification requirements for each of the required registration categories described in paragraph (a) to Interpretation and Policy .08:

<u>CATEGORY OF REGISTRATION</u>	<u>QUALIFICATION EXAMINATION(S)</u>	<u>ALTERNATIVE ACCEPTABLE QUALIFICATIONS</u>
<u>Proprietary Trader (PT)</u>	<u>Series 56</u>	<u>General Securities Representative Registration (Series 7)</u>
<u>Proprietary Trader Principal (TP)</u>	<u>Series 24</u>	<u>General Securities Sales Supervisor Registration and General Securities Principal - Sales Supervisor Module Registration (Series 9/10 and Series 23)*</u>
<u>Proprietary Trader Compliance Officer (CT)</u>	<u>Series 14</u>	<u>General Securities Principal Registration (GP) or Proprietary Trader Principal (TP) (Series 24)</u>

*Because the Series 23 is not available in WebCRD, each applicant must provide documentation of a valid Series 23 license to the Registration Services Department upon request for the Series 24 registration in WebCRD.

.09 An individual Trading Permit Holder or individual associated person who is required to register pursuant to Rule 3.6A must satisfy all registration and qualification requirements in WebCRD prior to acting in such registered capacity on behalf of a Trading Permit Holder or TPH organization.

* * * * *