

CBOE Regulatory Circular RG15-146 C2 Regulatory Circular RG15-040

Date: October 20, 2015

To: Trading Permit Holder Organizations

From: Regulatory Division

RE: Revisions to the Registered Options Principal Qualification Exam (Series 4)

CBOE Rule 9.2 states that no TPH organization shall be approved to transact options business with the public until those persons associated with it, and who are also designated as Options Principals, have been approved by and registered with the Exchange.¹ Rule 9.2 further states that persons engaged in the supervision of options sales practices, or a person to whom the designated general partner or executive officer or another Registered Options Principal delegates the authority to supervise options sales practices, shall be designated as Options Principals. Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Examination (Series 4).

The Series 4 examination is an industry-wide examination designed to test a candidate's knowledge of options trading generally, the industry rules applicable to trading of option contracts, and the rules of registered clearing agencies for options. The Series 4 examination covers, among other things, equity options, foreign currency options, and index options.

Effective immediately, the Series 4 Content Outline and Examination have been revised. This Regulatory Circular highlights the changes to the exam and content outline. Please see SR-CBOE-2015-095 for a complete description of the content outline and examination revisions.

Series 4 Content Outline

The revised content outline is divided into six major job functions that are performed by a Registered Options Principal. The following are the six major job functions, denoted Function 1 through Function 6, with the associated number of examination questions:

- Function 1: Supervise the Opening of New Options Accounts, 21 questions;
- Function 2: Supervise Options Account Activities, 25 questions;
- Function 3: Supervise General Options Trading, 30 questions;
- Function 4: Supervise Options Communications, 9 questions;
- Function 5: Implement Practices and Adhere to Regulatory Requirements, 12 questions; and
- Function 6: Supervise Associated Persons and Personnel Management Activities, 28 questions.

Each function also includes specific tasks describing activities associated with performing that function. The content outline lists the knowledge required to perform each function and associated tasks (e.g., types of retail communications, required approvals). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks.

¹ CBOE Rule 9.2 is incorporated by reference into Chapter 9 of the C2 rulebook.

The revised Series 4 content outline is available on FINRA's website, at:
http://www.finra.org/sites/default/files/Series_4_Outline.pdf.

Series 4 Qualification Examination

The number of questions on the Series 4 examination will remain at 125 multiple-choice questions; however candidates will now have 195 minutes to complete the examination as the number of pretest items will increase from 5 items to 10 items (pretest items are unscored). The number of questions assigned to each major job function (as denoted above) is intended to ensure that the overall examination better reflects the key tasks performed by a Registered Options Principal. The questions on the revised Series 4 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance. Please note a score of 72 percent will now be required to pass the examination (previously a passing score was 70 percent).

Additional Information

Questions may be directed to the Regulatory Interpretations and Guidance team at (312) 786-8141 or reginterps@cboe.com.