

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 36

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No.* SR - 2010 - * 084

Amendment No. (req. for Amendments *)

Proposed Rule Change by Chicago Board Options Exchange
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * Amendment * Withdrawal Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

Pilot Extension of Time Period for Commission Action * Date Expires *

Rule
 19b-4(f)(1) 19b-4(f)(4)
 19b-4(f)(2) 19b-4(f)(5)
 19b-4(f)(3) 19b-4(f)(6)

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proposal Regarding the Registration and Qualification of Trading Permit Holders and Associated Persons

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Kerry Ann Last Name * Adler
 Title * Attorney/Assistant Secretary
 E-mail * adler@cboe.com
 Telephone * (312) 786-8093 Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 09/10/2010

By Kerry Ann P. Adler
 (Name *)

Assistant Secretary
 (Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Kerry Ann Adler, adler@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information (required)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) The Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) proposes to amend its rules regarding qualification and registration of individual Trading Permit Holders and associated persons. Set forth below are the proposed changes to the rule text with additions underlined and deletions [bracketed].

Chicago Board Options Exchange, Incorporated

Rules

* * * * *

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

(a) Registration of Individual Trading Permit Holders and Individual Associated Persons Engaged in the Securities Business.

(1) Individual Trading Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. Before the registration can become effective, the individual Trading Permit Holder or individual associated person shall submit the appropriate application for registration, pass a qualification examination appropriate to the category of registration as prescribed by the Exchange and submit any required registration and examination fees. A Trading Permit Holder or TPH organization shall not maintain a registration with the Exchange for any person (1) who is no longer active in the Trading Permit Holder's or TPH organization's securities business; (2) who is no longer functioning in the registered capacity; or (3) where the sole purpose is to avoid an examination requirement. A Trading Permit Holder or TPH organization shall not make application for the registration of any person where there is no intent to employ that person in the Trading Permit Holder's or TPH organization's securities business. A Trading Permit Holder or TPH organization may, however, maintain or make application for the registration of an individual who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the Trading Permit Holder or TPH organization, or a person who performs administrative support functions for registered personnel, or a person engaged in the securities business of a foreign securities affiliate or subsidiary of the Trading Permit Holder or TPH organization.

(2) *Persons Exempt from Registration.* The following individual Trading Permit Holders and individual associated persons of Trading Permit Holders are exempt from the registration requirements set forth in paragraph (1):

(A) individual associated persons whose functions are solely and exclusively clerical or ministerial;

(B) individual Trading Permit Holders and individual associated persons who are not actively engaged in the securities business;

(C) individual Trading Permit Holders and individual associated persons whose functions are related solely and exclusively to the Trading Permit Holder's or TPH organization's need for nominal corporate officers or for capital participation;

(D) individual associated persons whose functions are related solely and exclusively to:

(i) transactions in commodities;

(ii) transactions in security futures; and/or

(iii) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange.

(b) *Financial/Operations Principal.* Each [individual] Trading Permit Holder or TPH organization subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. The duties of a Financial/Operations Principal shall include taking appropriate actions to assure that the Trading Permit Holder or TPH organization complies with applicable financial and operational requirements under the Rules and the Exchange Act, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to have successfully completed the Financial and Operations Principal Examination (Series 27 Exam). Each Financial/Operations Principal designated by a Trading Permit Holder or TPH organization shall be registered in that capacity with the Exchange [in a form and manner] as prescribed by the Exchange. A Financial/Operations Principal of a Trading Permit Holder or TPH organization may be a full-time employee, a part-time employee or independent contractor of the Trading Permit Holder or TPH organization. Trading Permit Holders and TPH organizations for which the Exchange is the Designated Examining Authority ("DEA") must provide prompt written notice to the Exchange[']s Department of Financial and Sales Practice Compliance] for each person designated as a Financial/Operations Principal reporting whether such person is a full-time employee, part-time employee, independent contractor or has any outside business affiliations.

(c) *Chief Compliance Officer.* Each Trading Permit Holder and TPH organization that is a registered broker-dealer shall designate a Chief Compliance Officer on Schedule A of Form BD. An individual designated as a Chief Compliance Officer is required to register with the Exchange and pass the appropriate heightened qualification examination(s) as prescribed by the

Exchange. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a fine of \$5,000 or more for a violation of any provision of any securities law or regulation, or any agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

(d) [Associated Person Statuses]Registration Required Under Chapter IX. [Associated person statuses under Chapter IX (along with the primary Exchange Rule concerning the status) include: (i) Registered Options Principal (Rule 9.2); (ii) Registered Representative (Rule 9.3); and (iii) Chief Compliance Officer (Rule 9.8).] Individual associated persons of a TPH organization that conducts a public customer business must also comply with the registration requirements set forth in Chapter IX. These additional registration categories include: (i) Registered Options Principal; and (ii) Registered Representative.

(e) Requirement for Examination on Lapse of Registration. Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for two or more years immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a qualification examination appropriate to the category of registration as prescribed by the Exchange.

... Interpretations and Policies:

.01 Each individual required to register under this Rule shall electronically file a Uniform Application for Securities Industry Registration ("Form U-4") through the Central Registration Depository system operated by the Financial Industry Regulatory Authority, Incorporated ("Web CRD").

[.01] .02 Each individual [person in an associated person status enumerated in paragraph (a) or (b) of] required to register under this Rule shall[,] electronically submit to Web CRD [the NASD's Web Central Registration Depository ("CRD") System (i)] any required amendments to Form U-4.

[.02] .03 Any Trading Permit Holder or TPH organization that discharges or terminates the employment or retention of an individual [associated person enumerated in paragraph (a) or (b) of] required to register under this Rule shall comply with the termination filing requirements set forth in Rule 9.3(b) and Rule 9.3(c).

[.03] .04 Each individual [person in an associated person status enumerated in paragraph (a) or (b) of] required to register under this Rule is required to satisfy the continuing education requirements set forth in Rule 9.3A or any other applicable continuing education requirements as prescribed by the Exchange.

.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.

.06 For purposes of paragraph (a)(1) above, the Exchange shall consider an individual Trading Permit Holder or an individual associated person to be engaged in the securities business of a Trading Permit Holder or TPH organization if:

(a) the individual Trading Permit Holder or individual associated person engages in one or more of the following activities in the capacity of a Trading Permit Holder or on behalf of the associated Trading Permit Holder or TPH organization:

(1) proprietary trading;

(2) market-making;

(3) effecting transactions on behalf of a broker-dealer;

(4) supervision or monitoring of proprietary trading, market-making, or brokerage activities;

(5) supervision or training of those engaged in proprietary trading, market-making, or brokerage activities with respect to those activities; or

(b) the individual Trading Permit Holder or individual associated person engages in the management of one or more of the activities enumerated in subparagraphs (1) through (5) above as an officer, partner or a director.

.07 Each Trading Permit Holder and TPH organization must register with the Exchange 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. A Trading Permit Holder or TPH organization that conducts proprietary trading only and has 25 or fewer registered persons shall only be required to have 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.

* * * * *

Rule 9.2. Registration of Options Principals

No TPH organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.8) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with [the NASD's] Web CRD [System], shall successfully complete an examination as prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with [the NASD's] Web CRD [System]. Termination of employment or affiliation of any Registered Options Principal in such capacity shall be promptly electronically reported to [the NASD's] Web CRD [System] together with a brief statement of the reason for such termination on Form U-5.

... Interpretations and Policies:

.01 - .02 No Change.

Rule 9.3. Registration and Termination of Representatives

(a) *Registration.* No TPH organization shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been approved by and registered with the Exchange. Persons who perform duties for the TPH organization which are customarily performed by sales representatives, solicitors, or branch

office managers shall be designated as Representatives. In connection with their registration, Representatives shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with [the NASD's] Web CRD [System] by appropriately checking the CBOE as a requested registration on the electronic U-4 filing, and shall successfully complete an examination for the purpose of demonstrating an adequate knowledge of the securities business, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with [the NASD's] Web CRD [System].

(b) *Termination - Filing of U-5's.* The discharge or termination of employment of any registered person, together with the reasons therefor, shall be electronically reported to [the NASD's] Web CRD [System] by a TPH organization immediately following the date of termination, but in no event later than thirty (30) days following termination, on a Uniform Termination Notice for Securities Industry Registration (Form U-5). A copy of [said termination notice] the Form U-5 shall be provided concurrently to the person whose association has been terminated.

(c) *Termination - Filing of amended U-5's.* The TPH organization shall electronically report to [the NASD's] Web CRD [System], by means of an amendment to the Form U-5 filed pursuant to paragraph (b) above, in the event that the TPH organization learns of facts or circumstances causing any information set forth in the [notice] Form U-5 to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty (30) days after the TPH organization learns of the facts or circumstances giving rise to the need for the amendment.

... Interpretations and Policies:

.01 No Change.

Rule 9.3A. Continuing Education for Registered Persons

(a) – (c) No Change.

... Interpretations and Policies:

.01 For purposes of this Rule, the term "registered person" means any Trading Permit Holder, registered representative or other person registered or required to be registered under Exchange rules[, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders or registered broker-dealers].

.02 - .04 No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on September 10, 2010. No further action is required.

(b) Questions and comments on the proposed rule change may be referred to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle Street, Chicago, Illinois 60605; Telephone: (312) 786-7462; Fax: (312) 786-7919 or Kerry Adler, Attorney, at (312) 786-8093.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

CBOE is proposing to amend its rules regarding qualification, registration and continuing education of individual Trading Permit Holders and individual associated persons.¹ Specifically, in response to a request by the Division of Trading and Markets of the U.S. Securities and Exchange Commission and in light of recent market events, the Exchange is proposing to expand its registration and qualification requirements to include additional types of individual Trading Permit Holders and individual associated persons. The revised requirements apply to both CBOE and CBOE Stock Exchange ("CBSX") Trading Permit Holders and their associated persons. CBOE is also proposing to clarify that certain requirements throughout Rule 3.6A, including proposed Rule 3.6A(a), 3.6A(b) and Interpretation and Policy .03 to 3.6A, apply to

¹ CBOE Rule 1.1(qq) provides "The term 'Associated Person' or 'Person Associated with a Trading Permit Holder' means any partner, officer, director or branch manager of a Trading Permit Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Trading Permit Holder, or any employee of a Trading Permit Holder." This filing refers specifically to the classification of "individual associated persons" as an organization could fall within the scope of CBOE Rule 1.1(qq) and it is not CBOE's intention to require registration by an organization.

both Trading Permit Holders and TPH organizations.² The Exchange believes the proposed rule changes are consistent with Rule 15b7-1,³ promulgated under the Securities Exchange Act of 1934, as amended (“Exchange Act”),⁴ which provides: “No registered broker or dealer shall effect any transaction in...any security unless any natural person associated with such broker or dealer who effects or is involved in effecting such transaction is registered or approved in accordance with the standards of training, experience, competence, and other qualification standards...established by the rules of any national securities exchange...”

CBOE Rule 3.6A establishes the qualification and registration requirements for associated persons of TPH organizations. This rule currently establishes registration requirements for a Financial/Operations Principal for each Trading Permit Holder and TPH organization subject to the Exchange Act Rule 15c3-1.⁵ Rule 3.6A also references the registration requirements set forth in Chapter IX of the Exchange’s Rulebook for associated persons of TPH organizations that conduct a public customer business.

The Exchange is proposing to require additional Trading Permit Holders and associated persons to submit the appropriate application for registration online through the Central Registration Depository system (“Web CRD”), which is operated by the Financial Industry Regulatory Authority, Incorporated (“FINRA”), successfully complete any qualification

² Section 1.1 of CBOE’s By-Laws provides: “The term ‘Trading Permit Holder’ means any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. If a Trading Permit Holder is an individual, the Trading Permit Holder may also be referred to as an ‘individual Trading Permit Holder.’ If a Trading Permit Holder is not an individual, the Trading Permit Holder may also be referred to as a ‘TPH organization.’ A Trading Permit Holder is a ‘member’ solely for purposes of the Act; however, one’s status as a Trading Permit Holder does not confer on that Person any ownership interest in the Exchange.”

³ 17 CFR 240.15b7-1.

⁴ 15 U.S.C. § 78a et seq.

⁵ 17 CFR 240.15c3-1.

examination(s) as prescribed by the Exchange and submit any required registration and examination fees. Specifically, the Exchange is proposing to move the existing Rule 3.6A(a), governing registration requirements for Financial and Operations Principals to 3.6A(b). CBOE is proposing to add Rule 3.6A(a)(1) that will require registration and qualification by individual Trading Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization.⁶ CBOE is also proposing to adopt Interpretation and Policy .06 to define what it means to be “engaged in the securities business of a Trading Permit Holder or TPH organization” for purposes of this rule. Specifically, an individual Trading Permit Holder or individual associated person shall be considered to be a person engaged in the securities business of a Trading Permit Holder or TPH organization if (i) the individual Trading Permit Holder or associated person conducts proprietary trading, acts as a market-maker, effects transactions on behalf of a broker-dealer account, supervises or monitors proprietary trading, market-making or brokerage activities on behalf of the broker-dealer, supervises or conducts training for those engaged in proprietary trading, market-making or brokerage activities on behalf of a broker-dealer account; or (ii) the individual Trading Permit Holder or associated person engages in the management of any individual Trading Permit Holder or individual associated person identified in (i) above as an officer, partner or director.⁷

⁶ An individual with an indirect ownership interest in a Trading Permit Holder or TPH organization, that is engaged in the securities business of such Trading Permit Holder or TPH organization, is required to register under proposed Rule 3.6A(a)(1).

⁷ With the exception of its application to sole proprietors (as registration of sole proprietors at CBOE is required under proposed subparagraph (a) of Interpretation and Policy .06 to Rule 3.6A), this requirement is consistent with FINRA’s registration requirement for Principals (as defined in NASD Rule 1021). CBOE is declining to adopt the term “Principal” in the Exchange Rulebook to avoid confusion with existing terms, such as “Option Principal.”

Web CRD has been enhanced by FINRA to allow for general registration of applicable Trading Permit Holders and associated persons. CBOE will require that all applicable Trading Permit Holders and individual associated persons that are not already registered in Web CRD, that are required to register under proposed Rule 3.6A, to register within 60 days of the approval date of this filing by the U.S. Securities and Exchange Commission. CBOE is currently working with the Division of Trading and Markets of the U.S. Securities and Exchange Commission to identify a reasonable time period for which compliance with the additional examination requirements will be required. The availability of the appropriate category on Web CRD for any new qualification examinations recognized by the Exchange may be subject to the timing for any required systems development on Web CRD.

CBOE is considering various alternatives for an appropriate qualification examination(s) for Trading Permit Holders and associated persons required to register under proposed Rule 3.6A(a). These alternatives include, but are not limited to, the successful completion of CBOE's Trading Permit Holder Qualification Examination or the development of a new qualification examination.⁸ The Exchange will notify its Trading Permit Holders and TPH organizations via

⁸ CBOE has represented to Commission staff that it intends to develop, within six months of the approval date of this filing, the appropriate qualification examination(s) for the individual Trading Permit Holders and associated persons that will be required to register following the approval of this filing. Once the development of an examination(s) has been completed, the implementation and effective date will be subject to approval by the Commission and any necessary systems development schedules to implement the examination. If the Exchange does not complete development of the examination(s) within six months of the approval date of this filing, the Exchange will establish a deadline for qualification based on the existing categories of registration and qualification examinations available on Web CRD, until such time as the development and implementation of an alternative examination(s) has been completed. The referenced categories of registration available on Web CRD include, but may not be limited to, the General Securities Representative (GS) and General Securities Principal (GP), as applicable to the type of business activities conducted. The accompanying qualification examination for the General Securities Representative is the Series 7 and the accompanying qualification examination for the General Securities Principal is the Series 24.

regulatory circular what qualification examination(s) will be acceptable for compliance with the requirements proposed in Rule 3.6A(a)(1). Individual Trading Permit Holders or individual associated persons acting in the capacity of a sole proprietor, officer, partner, director or Chief Compliance Officer will be subject to heightened qualification requirements. In addition, an individual Trading Permit Holder or individual associated person that is engaged in the supervision or monitoring of proprietary trading, market-making or brokerage activities and/or that is engaged in the supervision or training of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities will be subject to heightened qualification requirements. The Exchange believes that the heightened qualification requirements should enhance the supervisory structure for Trading Permit Holders and TPH organizations that do not conduct a public customer business.

The Exchange is also proposing to add Rule 3.6A(a)(2) to identify several categories of persons that are exempt from these additional registration requirements. The categories of individual Trading Permit Holders and associated persons that are exempt from the registration requirements set forth in Rule 3.6A(a)(1) include (i) individual associated persons functioning solely and exclusively in a clerical or ministerial capacity; (ii) individual Trading Permit Holders and individual associated persons that are not actively engaged in the securities business, (iii) individual Trading Permit Holders and individual associated persons functioning solely and exclusively to meet a Trading Permit Holder's or TPH organization's need for nominal corporate officers or for capital participation; and (iv) individual associated persons whose functions are solely and exclusively related to transactions in commodities, transactions in security futures and/or effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange. The Exchange believes these registration

exemptions are appropriate because CBOE would not consider individuals that fall into the exemptions to be actively engaged in securities business unless they are registered as floor members on another national securities exchange, in which case, they are already registered as floor members and not required to register at CBOE. CBOE believes incorporating these exemptions into the rule provides additional clarity to individual Trading Permit Holders and individual associated persons as to who will or will not be required to register under the proposed rule. Any applicable FINRA registration requirements would continue to apply to Trading Permit Holders and TPH organizations that are also members of FINRA.

The Exchange is proposing to move the existing Rule 3.6A(b), referencing the types of associated persons required to register under Chapter IX of CBOE's Rules, to Rule 3.6A(d). CBOE is also proposing to clarify the language in this section to make it clear that individual associated persons, including Registered Options Principals and Registered Representatives, are also subject to the registration requirements set forth in Chapter IX of CBOE's Rules. Chapter IX is generally applicable to TPH organizations that conduct a public customer business.

The Exchange is also proposing to adopt Rule 3.6A(c) to require the designation of a Chief Compliance Officer by Trading Permit Holders and TPH organizations that are registered broker-dealers, which designation shall be updated on Schedule A of Form BD. Under the proposed rule, the Chief Compliance Officer shall be required to register and pass the appropriate qualification examination as prescribed by the Exchange.⁹ This is consistent with FINRA Rule 3130 requiring designation of at least one Chief Compliance Officer on Schedule A of Form BD. In addition, NASD Rule 1022 requires registration by each person designated as

⁹ The appropriate qualification examination for a Chief Compliance Officer is the Series 14 (Compliance Official). CBOE is working with FINRA to establish this category of registration and make the accompanying qualification examination available at CBOE on Web CRD.

Chief Compliance Officer on Schedule A of Form BD. CBOE is also proposing to implement a limited exemption from the requirement to pass the appropriate qualification examination by a Chief Compliance Officer. Specifically, a person that has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a \$5,000 or more fine for a violation(s) of any provision of any securities law or regulation, or any agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such self-regulatory organization in connection with a disciplinary proceeding, shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

The Exchange is proposing to adopt Rule 3.6A(e) to set forth the requirements for examinations where there is a lapse in registration. Specifically, an individual Trading Permit Holder or individual associated person shall be required to pass the appropriate qualification examination for the category of registration if the individual Trading Permit Holder's or individual associated person's registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for a period of two or more years.

The Exchange is proposing to move the language in the existing Interpretation and Policy .01 to Interpretation and Policy .02. The Exchange is proposing to add language to Interpretation and Policy .01 requiring each individual Trading Permit Holder or individual associated person

subject to the registration requirements in Rule 3.6A to electronically file a Uniform Application for Securities Industry Registration through Web CRD.

The Exchange is also proposing to move the existing Interpretation and Policies .02 and .03 to Interpretation and Policies .03 and .04, respectively. The Exchange is also proposing to modify the proposed Interpretation and Policies .02, .03 and .04 to remove the existing references to those with “an associated person status” enumerated under paragraph (a) or (b) of the current Rule 3.6A and extend the applicability to all individual Trading Permit Holders or individual associated persons subject to the registration requirements in Rule 3.6A.

The Exchange is also proposing to adopt Interpretation and Policy .05 to Rule 3.6A. This will enable the Exchange to waive the qualification examination requirement where good cause is shown. Similar rules are in place at the New York Stock Exchange, Inc. (“NYSE”) and FINRA.¹⁰ In determining whether a waiver shall be granted, the Exchange shall consider, among other things, previous industry employment, training and/or the successful completion of similar qualification examinations of other self-regulatory organizations.

In addition, the Exchange is proposing to add Interpretation and Policy .07 that will require registration and successful completion of a heightened qualification examination by at least two individuals that are each an officer, partner or director of each Trading Permit Holder or TPH organization that is a registered broker-dealer and has trading privileges on the Exchange.¹¹ However, please note that all individuals who engage in supervisory functions of the Trading Permit Holder’s or TPH organization’s securities business shall be required to

¹⁰ See NASD Rule 1070 – Qualification Examinations and Waiver of Requirements and NYSE Rule 345 – Employees – Registration, Approval, Records.

¹¹ With the exception of its application to sole proprietors, this requirement is consistent with the registration requirement set forth in NASD Rule 1021 addressing registration of two Principals (as defined in NASD Rule 1021).

register and pass the appropriate heightened qualification examination(s) relevant to the particular category of registration. Trading Permit Holders that are sole proprietors are exempt from this requirement. In addition, the Exchange may waive the requirement to have two officers, partners and/or directors registered if a Trading Permit Holder or TPH organization conclusively demonstrates that only one officer, partner or director should be required to register. For example, a TPH organization could conclusively demonstrate that only one individual is required to register if such TPH organization is owned by one individual (such as a single member limited liability company), such individual acts as the only trader on behalf of the TPH organization, and the TPH organization employs only one other individual who functions only in a clerical capacity. The ability to waive this registration requirement is consistent with similar FINRA rules regarding principal registration.¹²

CBOE is also proposing to allow a Trading Permit Holder or TPH organization that conducts proprietary trading only and has 25 or fewer registered persons to have only one officer or partner registered under this section rather than two. This exception is similar to that of several other exchanges and reflects that such Trading Permit Holders or TPH organizations do not necessitate the same level of supervisory structure as those Trading Permit Holders or TPH organizations that have customers or are larger in size. 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 it has the following characteristics: (i) 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; (ii) all funds used or proposed to be used by the Trading

¹² See NASD Rule 1021(e).

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; (iii) the Trading Permit Holder or TPH organization does not, and will not, have customers; and (iv) 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. The description of what constitutes proprietary trading for purposes of this Interpretation and Policy .07 to Rule 3.6A is appropriate in that it provides additional clarity for Trading Permit Holders and individual associated persons to evaluate whether two individuals are required to register.

In conjunction with the additional registration requirements, the Exchange is proposing to delete a reference in Interpretation and Policy .01 to Rule 9.3A that excludes those people whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders or registered broker-dealers from the definition of "registered person" for purposes of Rule 9.3A. The changes proposed to Interpretation and Policy .04 of Rule 3.6A would subject individual Trading Permit Holders and individual associated persons whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders or registered broker dealers to the continuing education requirements set forth in Rule 9.3A or any other continuing education requirements as prescribed by the Exchange.

This filing also proposes to make several technical and/or non-substantive changes. First, the Exchange is proposing to modify the title of Rule 3.6A to delete the term "Certain" and to clarify that the registration requirements set forth in Rule 3.6A also apply to specified Trading Permit Holders. The Exchange is also proposing to make a technical change to proposed Rule 3.6A(b) that will replace the reference to the "Department of Financial and Sales Practice

Compliance” with the “Exchange” because the Exchange no longer has a department by that name. In addition, the Exchange is proposing to replace the two references in this section to “in a form and manner prescribed by the Exchange” with “as prescribed by the Exchange” for consistency throughout Rule 3.6A. The Exchange is also proposing to amend several references in CBOE Rules 3.6A, 9.2 and 9.3. Specifically, these rules currently reference “NASD’s Web CRD System.” Since NASD is now known as FINRA, CBOE is proposing to change this reference to “Web CRD.” The Exchange is proposing to clarify Rule 9.3(c) relating to amended Form U-5 to provide “the facts or circumstances giving rise to *the need for* the amendment” rather than “facts and circumstances giving rise to the amendment.” Finally, CBOE is proposing to replace language relating to “said termination notice” in Rule 9.3(b) and “notice” in Rule 9.3(c) with “Form U-5” for specificity.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ which requires, among other things, that the Exchange’s rules be designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. Specifically, the enhanced registration and qualification requirements will provide additional protection to investors and further promote the public interest.

In addition, the Exchange believes that the proposed rule change is consistent with Section 6(c) of the Act,¹⁵ in general, and furthers the objectives of Section 6(c)(3)(B) of the

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78f(c).

Act,¹⁶ which provides, among other things, that a national securities exchange may bar a natural person from becoming associated with a member if such natural person does not meet the standards of training, experience and competence as prescribed by the rules of the national securities exchange. The Exchange also believes that the proposed rule change furthers the objectives of Section 6(c)(3)(C) of the Act,¹⁷ which provides, among other things, that a national securities exchange may bar any person from becoming associated with a member if such person does not agree to supply the exchange with such information with respect to its dealings with the member as may be specified by the rules of the exchange and to permit the examination of its books and records to verify the accuracy of any information so supplied.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

CBOE 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.

Item 5. 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 proposal.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act¹⁸ for Commission consideration of the proposed rule change.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not Applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or the Commission

¹⁶ 15 U.S.C. 78f(c)(3)(B).

¹⁷ 15 U.S.C. 78f(c)(3)(C).

¹⁸ 15 U.S.C. 78s(b)(2).

The proposed rule change is based, in part, on the rules of FINRA and NYSE as discussed in Item 3 above.

Item 9. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2010-084)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change Regarding Registration and Qualification Requirements

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 _____, 2010, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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 rules regarding qualification and registration of individual Trading Permit Holders and associated persons. The text of the rule proposal is available on the Exchange's website (<http://www.cboe.org/legal>), 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, 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 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 parts of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

CBOE is proposing to amend its rules regarding qualification, registration and continuing education of individual Trading Permit Holders and individual associated persons.³ Specifically, in response to a request by the Division of Trading and Markets of the U.S. Securities and Exchange Commission and in light of recent market events, the Exchange is proposing to expand its registration and qualification requirements to include additional types of individual Trading Permit Holders and individual associated persons. The revised requirements apply to both CBOE and CBOE Stock Exchange (“CBSX”) Trading Permit Holders and their associated persons. CBOE is also proposing to clarify that certain requirements throughout Rule 3.6A, including proposed Rule 3.6A(a), 3.6A(b) and Interpretation and Policy .03 to 3.6A, apply to both Trading Permit Holders and TPH organizations.⁴ The Exchange believes the proposed rule changes are consistent with Rule 15b7-1,⁵ promulgated under the Securities Exchange Act of

³ CBOE Rule 1.1(qq) provides “The term ‘Associated Person’ or ‘Person Associated with a Trading Permit Holder’ means any partner, officer, director or branch manager of a Trading Permit Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Trading Permit Holder, or any employee of a Trading Permit Holder.” This filing refers specifically to the classification of “individual associated persons” as an organization could fall within the scope of CBOE Rule 1.1(qq) and it is not CBOE’s intention to require registration by an organization.

⁴ Section 1.1 of CBOE’s By-Laws provides: “The term ‘Trading Permit Holder’ means any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. If a Trading Permit Holder is an individual, the Trading Permit Holder may also be referred to as an ‘individual Trading Permit Holder.’ If a Trading Permit Holder is not an individual, the Trading Permit Holder may also be referred to as a ‘TPH organization.’ A Trading Permit Holder is a ‘member’ solely for purposes of the Act; however, one’s status as a Trading Permit Holder does not confer on that Person any ownership interest in the Exchange.”

⁵ 17 CFR 240.15b7-1.

1934, as amended (“Exchange Act”),⁶ which provides: “No registered broker or dealer shall effect any transaction in...any security unless any natural person associated with such broker or dealer who effects or is involved in effecting such transaction is registered or approved in accordance with the standards of training, experience, competence, and other qualification standards...established by the rules of any national securities exchange...”

CBOE Rule 3.6A establishes the qualification and registration requirements for associated persons of TPH organizations. This rule currently establishes registration requirements for a Financial/Operations Principal for each Trading Permit Holder and TPH organization subject to the Exchange Act Rule 15c3-1.⁷ Rule 3.6A also references the registration requirements set forth in Chapter IX of the Exchange’s Rulebook for associated persons of TPH organizations that conduct a public customer business.

The Exchange is proposing to require additional Trading Permit Holders and associated persons to submit the appropriate application for registration online through the Central Registration Depository system (“Web CRD”), which is operated by the Financial Industry Regulatory Authority, Incorporated (“FINRA”), successfully complete any qualification examination(s) as prescribed by the Exchange and submit any required registration and examination fees. Specifically, the Exchange is proposing to move the existing Rule 3.6A(a), governing registration requirements for Financial and Operations Principals to 3.6A(b). CBOE is proposing to add Rule 3.6A(a)(1) that will require registration and qualification by individual Trading Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization.⁸ CBOE is also

⁶ 15 U.S.C. § 78a et seq.

⁷ 17 CFR 240.15c3-1.

⁸ An individual with an indirect ownership interest in a Trading Permit Holder or TPH

proposing to adopt Interpretation and Policy .06 to define what it means to be “engaged in the securities business of a Trading Permit Holder or TPH organization” for purposes of this rule. Specifically, an individual Trading Permit Holder or individual associated person shall be considered to be a person engaged in the securities business of a Trading Permit Holder or TPH organization if (i) the individual Trading Permit Holder or associated person conducts proprietary trading, acts as a market-maker, effects transactions on behalf of a broker-dealer account, supervises or monitors proprietary trading, market-making or brokerage activities on behalf of the broker-dealer, supervises or conducts training for those engaged in proprietary trading, market-making or brokerage activities on behalf of a broker-dealer account; or (ii) the individual Trading Permit Holder or associated person engages in the management of any individual Trading Permit Holder or individual associated person identified in (i) above as an officer, partner or director.⁹

Web CRD has been enhanced by FINRA to allow for general registration of applicable Trading Permit Holders and associated persons. CBOE will require that all applicable Trading Permit Holders and individual associated persons that are not already registered in Web CRD, that are required to register under proposed Rule 3.6A, to register within 60 days of the approval date of this filing by the U.S. Securities and Exchange Commission. CBOE is currently working with the Division of Trading and Markets of the U.S. Securities and Exchange Commission to identify a reasonable time period for which compliance with the additional examination

organization, that is engaged in the securities business of such Trading Permit Holder or TPH organization, is required to register under proposed Rule 3.6A(a)(1).

⁹ With the exception of its application to sole proprietors (as registration of sole proprietors at CBOE is required under proposed subparagraph (a) of Interpretation and Policy .06 to Rule 3.6A), this requirement is consistent with FINRA’s registration requirement for Principals (as defined in NASD Rule 1021). CBOE is declining to adopt the term “Principal” in the Exchange Rulebook to avoid confusion with existing terms, such as “Option Principal.”

requirements will be required. The availability of the appropriate category on Web CRD for any new qualification examinations recognized by the Exchange may be subject to the timing for any required systems development on Web CRD.

CBOE is considering various alternatives for an appropriate qualification examination(s) for Trading Permit Holders and associated persons required to register under proposed Rule 3.6A(a). These alternatives include, but are not limited to, the successful completion of CBOE's Trading Permit Holder Qualification Examination or the development of a new qualification examination.¹⁰ The Exchange will notify its Trading Permit Holders and TPH organizations via regulatory circular what qualification examination(s) will be acceptable for compliance with the requirements proposed in Rule 3.6A(a)(1). Individual Trading Permit Holders or individual associated persons acting in the capacity of a sole proprietor, officer, partner, director or Chief Compliance Officer will be subject to heightened qualification requirements. In addition, an individual Trading Permit Holder or individual associated person that is engaged in the supervision or monitoring of proprietary trading, market-making or brokerage activities and/or that is engaged in the supervision or training of those engaged in proprietary trading, market-

¹⁰ CBOE has represented to Commission staff that it intends to develop, within six months of the approval date of this filing, the appropriate qualification examination(s) for the individual Trading Permit Holders and associated persons that will be required to register following the approval of this filing. Once the development of an examination(s) has been completed, the implementation and effective date will be subject to approval by the Commission and any necessary systems development schedules to implement the examination. If the Exchange does not complete development of the examination(s) within six months of the approval date of this filing, the Exchange will establish a deadline for qualification based on the existing categories of registration and qualification examinations available on Web CRD, until such time as the development and implementation of an alternative examination(s) has been completed. The referenced categories of registration available on Web CRD include, but may not be limited to, the General Securities Representative (GS) and General Securities Principal (GP), as applicable to the type of business activities conducted. The accompanying qualification examination for the General Securities Representative is the Series 7 and the accompanying qualification examination for the General Securities Principal is the Series 24.

making or brokerage activities with respect to those activities will be subject to heightened qualification requirements. The Exchange believes that the heightened qualification requirements should enhance the supervisory structure for Trading Permit Holders and TPH organizations that do not conduct a public customer business.

The Exchange is also proposing to add Rule 3.6A(a)(2) to identify several categories of persons that are exempt from these additional registration requirements. The categories of individual Trading Permit Holders and associated persons that are exempt from the registration requirements set forth in Rule 3.6A(a)(1) include (i) individual associated persons functioning solely and exclusively in a clerical or ministerial capacity; (ii) individual Trading Permit Holders and individual associated persons that are not actively engaged in the securities business, (iii) individual Trading Permit Holders and individual associated persons functioning solely and exclusively to meet a Trading Permit Holder's or TPH organization's need for nominal corporate officers or for capital participation; and (iv) individual associated persons whose functions are solely and exclusively related to transactions in commodities, transactions in security futures and/or effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange. The Exchange believes these registration exemptions are appropriate because CBOE would not consider individuals that fall into the exemptions to be actively engaged in securities business unless they are registered as floor members on another national securities exchange, in which case, they are already registered as floor members and not required to register at CBOE. CBOE believes incorporating these exemptions into the rule provides additional clarity to individual Trading Permit Holders and individual associated persons as to who will or will not be required to register under the proposed

rule. Any applicable FINRA registration requirements would continue to apply to Trading Permit Holders and TPH organizations that are also members of FINRA.

The Exchange is proposing to move the existing Rule 3.6A(b), referencing the types of associated persons required to register under Chapter IX of CBOE's Rules, to Rule 3.6A(d). CBOE is also proposing to clarify the language in this section to make it clear that individual associated persons, including Registered Options Principals and Registered Representatives, are also subject to the registration requirements set forth in Chapter IX of CBOE's Rules. Chapter IX is generally applicable to TPH organizations that conduct a public customer business.

The Exchange is also proposing to adopt Rule 3.6A(c) to require the designation of a Chief Compliance Officer by Trading Permit Holders and TPH organizations that are registered broker-dealers, which designation shall be updated on Schedule A of Form BD. Under the proposed rule, the Chief Compliance Officer shall be required to register and pass the appropriate qualification examination as prescribed by the Exchange.¹¹ This is consistent with FINRA Rule 3130 requiring designation of at least one Chief Compliance Officer on Schedule A of Form BD. In addition, NASD Rule 1022 requires registration by each person designated as Chief Compliance Officer on Schedule A of Form BD. CBOE is also proposing to implement a limited exemption from the requirement to pass the appropriate qualification examination by a Chief Compliance Officer. Specifically, a person that has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a

¹¹ The appropriate qualification examination for a Chief Compliance Officer is the Series 14 (Compliance Official). CBOE is working with FINRA to establish this category of registration and make the accompanying qualification examination available at CBOE on Web CRD.

\$5,000 or more fine for a violation(s) of any provision of any securities law or regulation, or any agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such self-regulatory organization in connection with a disciplinary proceeding, shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

The Exchange is proposing to adopt Rule 3.6A(e) to set forth the requirements for examinations where there is a lapse in registration. Specifically, an individual Trading Permit Holder or individual associated person shall be required to pass the appropriate qualification examination for the category of registration if the individual Trading Permit Holder's or individual associated person's registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for a period of two or more years.

The Exchange is proposing to move the language in the existing Interpretation and Policy .01 to Interpretation and Policy .02. The Exchange is proposing to add language to Interpretation and Policy .01 requiring each individual Trading Permit Holder or individual associated person subject to the registration requirements in Rule 3.6A to electronically file a Uniform Application for Securities Industry Registration through Web CRD.

The Exchange is also proposing to move the existing Interpretation and Policies .02 and .03 to Interpretation and Policies .03 and .04, respectively. The Exchange is also proposing to modify the proposed Interpretation and Policies .02, .03 and .04 to remove the existing references to those with "an associated person status" enumerated under paragraph (a) or (b) of

the current Rule 3.6A and extend the applicability to all individual Trading Permit Holders or individual associated persons subject to the registration requirements in Rule 3.6A.

The Exchange is also proposing to adopt Interpretation and Policy .05 to Rule 3.6A. This will enable the Exchange to waive the qualification examination requirement where good cause is shown. Similar rules are in place at the New York Stock Exchange, Inc. ("NYSE") and FINRA.¹² In determining whether a waiver shall be granted, the Exchange shall consider, among other things, previous industry employment, training and/or the successful completion of similar qualification examinations of other self-regulatory organizations.

In addition, the Exchange is proposing to add Interpretation and Policy .07 that will require registration and successful completion of a heightened qualification examination by at least two individuals that are each an officer, partner or director of each Trading Permit Holder or TPH organization that is a registered broker-dealer and has trading privileges on the Exchange.¹³ However, please note that all individuals who engage in supervisory functions of the Trading Permit Holder's or TPH organization's securities business shall be required to register and pass the appropriate heightened qualification examination(s) relevant to the particular category of registration. Trading Permit Holders that are sole proprietors are exempt from this requirement. In addition, the Exchange may waive the requirement to have two officers, partners and/or directors registered if a Trading Permit Holder or TPH organization conclusively demonstrates that only one officer, partner or director should be required to register. For example, a TPH organization could conclusively demonstrate that only one individual is

¹² See NASD Rule 1070 – Qualification Examinations and Waiver of Requirements and NYSE Rule 345 – Employees – Registration, Approval, Records.

¹³ With the exception of its application to sole proprietors, this requirement is consistent with the registration requirement set forth in NASD Rule 1021 addressing registration of two Principals (as defined in NASD Rule 1021).

required to register if such TPH organization is owned by one individual (such as a single member limited liability company), such individual acts as the only trader on behalf of the TPH organization, and the TPH organization employs only one other individual who functions only in a clerical capacity. The ability to waive this registration requirement is consistent with similar FINRA rules regarding principal registration.¹⁴

CBOE is also proposing to allow a Trading Permit Holder or TPH organization that conducts proprietary trading only and has 25 or fewer registered persons to have only one officer or partner registered under this section rather than two. This exception is similar to that of several other exchanges and reflects that such Trading Permit Holders or TPH organizations do not necessitate the same level of supervisory structure as those Trading Permit Holders or TPH organizations that have customers or are larger in size. 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 it has the following characteristics: (i) 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; (ii) 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; (iii) the Trading Permit Holder or TPH organization does not, and will not, have customers; and (iv) 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. The description of what constitutes proprietary trading for

¹⁴ See NASD Rule 1021(e).

purposes of this Interpretation and Policy .07 to Rule 3.6A is appropriate in that it provides additional clarity for Trading Permit Holders and individual associated persons to evaluate whether two individuals are required to register.

In conjunction with the additional registration requirements, the Exchange is proposing to delete a reference in Interpretation and Policy .01 to Rule 9.3A that excludes those people whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders or registered broker-dealers from the definition of “registered person” for purposes of Rule 9.3A. The changes proposed to Interpretation and Policy .04 of Rule 3.6A would subject individual Trading Permit Holders and individual associated persons whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders or registered broker dealers to the continuing education requirements set forth in Rule 9.3A or any other continuing education requirements as prescribed by the Exchange.

This filing also proposes to make several technical and/or non-substantive changes. First, the Exchange is proposing to modify the title of Rule 3.6A to delete the term “Certain” and to clarify that the registration requirements set forth in Rule 3.6A also apply to specified Trading Permit Holders. The Exchange is also proposing to make a technical change to proposed Rule 3.6A(b) that will replace the reference to the “Department of Financial and Sales Practice Compliance” with the “Exchange” because the Exchange no longer has a department by that name. In addition, the Exchange is proposing to replace the two references in this section to “in a form and manner prescribed by the Exchange” with “as prescribed by the Exchange” for consistency throughout Rule 3.6A. The Exchange is also proposing to amend several references in CBOE Rules 3.6A, 9.2 and 9.3. Specifically, these rules currently reference “NASD’s Web

CRD System.” Since NASD is now known as FINRA, CBOE is proposing to change this reference to “Web CRD.” The Exchange is proposing to clarify Rule 9.3(c) relating to amended Form U-5 to provide “the facts or circumstances giving rise to *the need for* the amendment” rather than “facts and circumstances giving rise to the amendment.” Finally, CBOE is proposing to replace language relating to “said termination notice” in Rule 9.3(b) and “notice” in Rule 9.3(c) with “Form U-5” for specificity.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,¹⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁶ which requires, among other things, that the Exchange’s rules be designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest. Specifically, the enhanced registration and qualification requirements will provide additional protection to investors and further promote the public interest.

In addition, the Exchange believes that the proposed rule change is consistent with Section 6(c) of the Act,¹⁷ in general, and furthers the objectives of Section 6(c)(3)(B) of the Act,¹⁸ which provides, among other things, that a national securities exchange may bar a natural person from becoming associated with a member if such natural person does not meet the standards of training, experience and competence as prescribed by the rules of the national securities exchange. The Exchange also believes that the proposed rule change furthers the objectives of Section 6(c)(3)(C) of the Act,¹⁹ which provides, among other things, that a national

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ 15 U.S.C. 78f(c).

¹⁸ 15 U.S.C. 78f(c)(3)(B).

¹⁹ 15 U.S.C. 78f(c)(3)(C).

securities exchange may bar any person from becoming associated with a member if such person does not agree to supply the exchange with such information with respect to its dealings with the member as may be specified by the rules of the exchange and to permit the examination of its books and records to verify the accuracy of any information so supplied.

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

CBOE 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.

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 proposal.

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

Within 35 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 self-regulatory organization consents, the Commission will:

(A) By order approve 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 e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2010-084 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.

All submissions should refer to File Number SR-CBOE-2010-084. 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 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 inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. 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-CBOE-2010-084 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.²⁰

Dated: _____

Florence E. Harmon
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).