

Submission of Comments RE: SR – CBOE 2010-084

“Notice of Proposed Rule Change Regarding Registration and Qualification Requirements”.

Cutler Group is supportive of the CBOE’s effort to register all traders with the exchange. It is critically important that CBOE know all the personnel who are trading on behalf of Registered Trading Permit holders. Having traders pass a relevant trading exam is critical are many important regulatory policies and procedures that traders should understand before they are permitted to trade for a given firm.

There is currently a large population of traders who are properly registered with the relevant exchanges with the appropriate licensure. The Series 7, NASDAQ OMX PHLX’s member exam, the ISE’s entrance exam, the NYSE/Arca’s MM exam (Series 44) and of course the CBOE’s current Trading Permit Holder Qualification Examination (TPHQE) all are acceptable to educate traders and maintain the public’s confidence in broker dealers. Traders who have passed these exams have the experience already as well as the continuing education to be exempted from passing the new exam. If any of these exams do not touch upon all of the items the CBOE desires, the CBOE should create a continuing education module for its traders. After completion of such module the trader could be registered with the CBOE.

For the present traders who have already taken the Series 7 in anticipation of the registration requirement or a requirement of another SRO should not have to take an additional examination. As the CBOE is subject to a stringent deadline of creating and implementing the new (TPQHE), it is quite possible that the deadline will not be met due to factors beyond the CBOE’s control and traders will be forced to take the Series 7 (as is implied in the CBOE’s submission in footnote 8 on page 12) . Historically, it has always proven very difficult to have traders pass requisite exams in a timely manner. Giving plenty of lead time will assist in successful completion of the examination. Allowing the Series 7 or the relevant licenses listed above to be substitute for the TPHE is a prudent course of action.

We compliance professionals are particularly excited about the possibility of a single test exclusively for proprietary traders. The Series 7 is accepted by different exchanges with the following varying titles: Full Registration/General Securities Representative, Securities Trader, Trading Supervisor, Authorized Trader, Market Maker Authorized Trader-Equities it is a good exam but obviously too general.

General exams like the Series 7 breed resentment amongst traders. Currently, registration exams are often presented and regarded as material relevant only to passing the exam and not to any real life application. New Associated Persons (APs) are often told that the best score on the exam is the minimum required to pass. It is an unfortunate practice across the industry that APs are encouraged to review exam information as quickly as possible and forget it even faster. Further compounding the problem, due to regulatory constraints is that it can be difficult to change and update materials on a given exam causing exams to be quickly outdated.

The CBOE has an opportunity to create a sea change in how traders view registration exams and how the public perceives compliance at SROs. We suggest that the CBOE set it sights higher rather than develop a quick supplement based on its current TPHQE by developing a test that supersedes the Series 7. To achieve this goal, the exam should be developed and carefully crafted to provide relevant and

important substantive information educating every professional trader. The better the exam, the more quickly all of the relevant SROs will accept it and the greater the credibility of the Broker Dealer community will become with the general public. This will of course require input and ultimately buy in from all of the relevant SROs and Broker Dealers. However, the six month deadline that the CBOE has committed to, will not allow enough time for such an effort. Taking the lead in this project will enhance the CBOE's reputation for leadership and integrity amongst the SEC, the Broker Dealer Community and the general public. Most importantly, a customized trading exam will reduce compliance violations and issues among Broker Dealers.

Lastly we agree with Mr. Vivrito's comment made on October 14, 2010 (currently the sole other commentator) arguing against the requirement of passing the Series 14 for Chief Compliance Officers (CCOs). To the best of our knowledge there are no review materials available for the Series 14. The only source of information offered is on the FINRA website and the outline listed there is quite vague. On the other hand, the Series 24 is generally accepted by relevant exchanges for CCOs and the Series 14 is only used by AMEX or NYSE firms as a substitute for the Series 24. It seems logical that since the Series 24 is the standard accepted exam by other relevant exchanges that the CBOE should follow suit. We understand that the Series 24 is a broad exam along the same lines as the Series 7. We also encourage the CBOE to develop a Supervisor's exam as well that perhaps one day supersede the Series 24 for those who are only supervising traders.

In conclusion, the Series 7, the current TPQHE and other relevant SRO membership exams should be accepted in lieu of the new TPQHE. There is clearly a need for a specific universal trader registration exam. By designing a new and comprehensive exam, the CBOE will be making a landmark change in regulation.