

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76107; File No. SR-CBOE-2015-084)

October 8, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Delivery of the Regulatory Element of the Exchange's Continuing Education Program

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 September 30, 2015, Chicago Board Options Exchange, Incorporated (the "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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Rule 9.3A (Continuing Education for Registered Persons) to provide for Web-based delivery of the Regulatory Element of the Exchange's continuing education ("CE") program. The text of the proposed rule change is available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The CE requirements under Rule 9.3A consist of a Regulatory Element⁵ and a Firm Element.⁶ The Regulatory Element applies to all registered persons⁷ and consists of periodic computer-based training on regulatory, compliance, ethical, and supervisory subjects and sales practice standards, which must be completed within prescribed timeframes.⁸ In addition, a registered person is required to retake the Regulatory Element in the event that such person: (i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities

⁵ See Rule 9.3A(a) (Regulatory Element).

⁶ See Rule 9.3A(c) (Firm Element).

⁷ For purposes of the Regulatory Element, a “registered person” means a Trading Permit Holder (“TPH”), associated person, and/or Representative approved by and registered with the Exchange. See Interpretation and Policy .01 to Rule 9.3A.

⁸ Pursuant to Rule 9.3A(a), each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of the Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule.

Exchange Act of 1934 (the “Act”); (ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or 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; or (iii) is ordered as a sanction in a disciplinary action to re-take the Regulatory Element by any securities governmental agency or securities self-regulatory organization.⁹ Currently, the Exchange offers the following Regulatory Elements for Exchange registered persons: the S201 Supervisor Program for registered principals and supervisors; the S106 Series 6 Program for Series 6 registered persons; the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, and the S101 General Program for Series 7 and all other registered persons.¹⁰ Currently, the Regulatory Element may be administered in a test center or in-firm subject to specified procedures.¹¹

⁹ See Rule 9.3A(a)(2) (Disciplinary Actions).

¹⁰ See Rule 9.3A(a)(3) (Required Programs).

¹¹ Under current Rule 9.3A(b) (In-House Delivery of Regulatory Element), TPH organizations are permitted to administer the Regulatory Element of the CE program to their registered persons by instituting a firm program acceptable to the Exchange. Among others, the following procedures are required in order to administer the Regulatory Element of the CE program in-house: (1) the TPH organization must designate a senior officer or partner to be responsible for the firm's delivery of the Regulatory Element of the CE program; (2) the location of the delivery site must be under the control of the TPH organization; (3) the communication links and firm delivery computer hardware must comply with standards defined by the Exchange or its designated vendor; (4) the TPH organization's written supervisory procedures must contain the procedures implemented to comply with the requirements of its delivery of Regulatory Element continuing education; (5) all sessions must be proctored by an authorized person during the entire Regulatory Element continuing education session; (6) all appointments must be scheduled in advance using the procedures and software specified by the Exchange, its agent or designated vendor; and (7) a Letter of Attestation for In-Firm Delivery of Regulatory Element CE must be completed.

The Firm Element consists of annual, TPH organization-developed and administered training programs for covered registered persons,¹² which must be appropriate for the business of the TPH or TPH organization and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Trading Permit Holder or TPH organization: (a) general investment features and associated risk factors; (b) suitability and sales practice considerations; and (c) applicable regulatory requirements.

Today, most registered persons complete the Regulatory Element in a test center rather than in-firm. Given the advances in Web-based technology, the Exchange believes that there is diminishing utility in the test center and in-firm delivery methods. Moreover, according to FINRA,¹³ TPHs and registered persons have raised concerns with the test center delivery method because of the travel involved, the limited time currently available to complete a Regulatory Element session¹⁴ and the use of rigorous security measures at test centers, which are appropriate for taking qualification examinations, but onerous for a CE program.¹⁵ Also, according to FINRA, the test center is expensive to operate.¹⁶

¹² Under Rule 9.3A(c)(1) (Persons Subject to the Firm Element), a “covered registered person” means any registered person who has a Series 56 registration or direct contact with customers in the conduct of the TPH’s or TPH organization’s securities sales, trading or investment banking activities, and to the immediate supervisors of such persons.

¹³ FINRA is currently responsible for the operation of the test centers used for test center delivery method of the Regulatory Element.

¹⁴ The current session time is three-and-a-half hours.

¹⁵ See Securities Exchange Act Release No. 75154 (June 11, 2015), 80 FR 34777 (Notice of Filing of a Proposed Rule Change To Provide a Web-Based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements) (SR-FINRA-2015-015).

¹⁶ Id. at 34779.

In response to the issues noted above, FINRA engaged in extensive outreach with the industry and completed a pilot of a Web-based delivery system for administering the Regulatory Element.¹⁷ According to FINRA, the proposed Web-based system performed well during the pilot in terms of both performance and accessibility.¹⁸ FINRA also received positive feedback from firms and the individual pilot participants.¹⁹ FINRA noted that among other things, pilot participants appreciated the expanded time to focus on the provided learning materials without the pressure of a timed session and the ability to resume or complete their session from where they left off.²⁰

Proposal

Based on the recent amendments to FINRA Rule 1250,²¹ the Exchange proposes to amend Rule 9.3A to provide for a Web-based delivery method for completing the Regulatory Element. Specifically, the Exchange proposes to amend Rule 9.3A(b) to provide that the continuing education Regulatory Element set forth in paragraph (a) of Rule 9.3A will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange. Should the Exchange determine to administer the Regulatory Element through a delivery mechanism other than Web-based delivery, however, the Exchange would notify the Commission and would need to file a further rule change with the Commission.

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Id.

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Id.

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Id.

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Id.

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See FINRA Rule 1250 (Continuing Education Requirements). See also Securities Exchange Act Release No. 75581 (July 31, 2015) (Order Approving a Proposed Rule Change to Provide a Web-based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements) (SR-FINRA-2015-015).

In addition to proposing to amend Rule 9.3A to provide for a Web-based delivery method for completing the Regulatory Element, the Exchange also proposes to remove the option for Series 56 registered persons to participate in the S501 Series 56 Proprietary Trader continuing education program in order to satisfy the Regulatory Element. The S501 Series 56 Proprietary Trader continuing education program is being phased out along with the Series 56 Proprietary Trader qualification examination and being replaced with the Series 57 Securities Trader qualification examination.²² As a result, effective January 4, 2016, the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons will cease to exist. In place of the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, the Exchange proposes that Series 57 registered persons be permitted to enroll in the S101 General Program for Series 7 and all other registered persons.

The first phase of the Web-based delivery system would be launched October 1, 2015 and include the Regulatory Element of the S106 Program for Series 6 registered persons and the S201 Supervisor Program for registered principals and supervisors. The second phase of the Web-based delivery system would be launched January 4, 2016 and include the Regulatory Element of the S101 General Program for Series 7 and all other registered persons, including, but not limited to Securities Traders.²³

²² See Securities Exchange Act Release No. 75783 (August 28, 2015) (Order Approving a Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories) (SR-FINRA-2015-017).

²³ The Exchange has submitted a proposal to the Commission that would replace the Proprietary Trader registration category as referred to in Interpretation and Policy .08 to Rule 3.6A (Registration and Qualification of Trading Permit Holders and Associated Persons) with the Securities Trader registration category effective January 4, 2016.

The Exchange is proposing to phase out test-center delivery by no later than six months after January 4, 2016. Registered persons will continue to have the option of completing the Regulatory Element in a test center, but they will be required to use the Web-based system after that date.²⁴

Further, the Exchange is proposing to phase out the current option for in-firm delivery on a rolling basis as each Regulatory Element program becomes available for Web-based delivery. Firms will not be able to establish new in-firm delivery programs after October 1, 2015. Moreover, firms that have pre-existing in-firm delivery programs established prior to October 1, 2015 would not be able to use that delivery method for the S106 and S201 Regulatory Element programs after October 1, 2015, which is the anticipated launch date of Web-based delivery for these programs. However, such firms may continue to use their pre-existing in-firm delivery programs for the S501 Regulatory Element and S101 Regulatory Element program until January 4, 2016, which is the anticipated launch date of Web-based delivery for the S101 program.²⁵ The Exchange is also proposing to eliminate Rule 9.3A(b) relating to in-firm delivery of the Regulatory Element of these CE programs. The proposed Web-based delivery method will provide registered persons the flexibility to complete the Regulatory Element at a location of their choosing, including their private residence, at any time during their 120-day window for completion of the Regulatory Element.²⁶

²⁴ The Exchange anticipates filing fee filings to reduce the cost for Web-delivery of the Regulatory Element from \$100 to \$55 by October 1, 2015 for the S106 and S201 Regulatory Element Programs and by January 4, 2016 for Web-delivery of the S101 Regulatory Element Program. Fees for completing the Regulatory Element of the respective programs at a test center will remain \$100.

²⁵ No firms currently provide the Regulatory Element of the S501 program in-house.

²⁶ Although the proposed rule change provides such flexibility, firms may choose to impose their own conditions based on their supervisory and compliance needs. For instance, a firm that wishes to have registered persons complete CE on the firm's premises can do so by having the registered person access Web-based CE from a firm device and location. Moreover, firms would have to update their written policies and procedures regarding the Regulatory Element to reflect the transition to Web-based CE and communicate the update to registered persons.

The Exchange notes that the Web-based format will include safeguards to authenticate the identity of the CE candidate. For instance, prior to commencing a Web-based session, the candidate will be asked to provide a portion of their SSN (either first five or last four digits) and their date of birth. This information will only be used for matching data in FINRA's Web-CRD system. The Web CE system will discard this information after the matching process. Further, before commencing a Web-based session, each candidate will be required to agree to the Rules of Conduct for Web-based delivery. Among other things, the Rules of Conduct will require each candidate to attest that he or she is in fact the person who is taking the Web-based session. The Rules of Conduct will also require that each candidate agree that the Regulatory Element content is intellectual property and that the content cannot be copied or redistributed by any means. If the Exchange discovers that a candidate has violated the Rules of Conduct, the candidate will forfeit the results of the Web-based session and may be subject to disciplinary action by the Exchange.²⁷ Violation of the Rules of Conduct will be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 4.1 (Just and Equitable Principles of Trade). The Exchange is not proposing any changes to the Firm Element requirements under Rule 9.3A other than to change references from the Series 56 Proprietary Trader registration category to the Series 57 Securities Trader registration category, consistent with recently proposed changes to Rule 3.6A (Qualification and Registration of Trading Permit Holders and Associated Persons) and NASD Rules 1022(a) (General Securities Principal) and 1032(f) (Limited Representative – Securities Trader).²⁸ The Exchange will announce the effective date for Web-delivery of the Regulatory Element of the S106 Program for Series 6 registered persons and the

²⁷ See generally Chapter XVII (Discipline).

²⁸ See Securities Exchange Act Release No. 75394 (July 8, 2015), 80 F.R. 41119 (July 14, 2015) (Notice of Filing of a Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories) (SR-FINRA-2015-017).

S201 Supervisor Program for registered principals and supervisors in a Regulatory Circular in October 2015 and the launch of Web-delivery of the Regulatory Element of the S101 General Program for Series 7 and all other registered persons, including, but not limited to Securities Traders in a Regulatory Circular at a date prior to January 4, 2016.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁰ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers and Section 6(c)(3)³² of the Act, which authorizes the Exchange to, among other things, prescribe standards of financial responsibility or operational capability and standards of training, experience and competence for its Trading Permit Holders and person associated with Trading Permit Holders.

²⁹ 15 U.S.C. 78f(b).

³⁰ 15 U.S.C. 78f(b)(5).

³¹ Id.

³² 15 U.S.C. 78f(c)(3).

In particular, the Exchange believes that the proposed rule change will improve TPHs' compliance efforts and will allow registered persons to spend a greater amount of time on the review of CE materials and potentially achieve better learning outcomes, which will in turn enhance investor protection. Further, while the proposed rule change will provide more flexibility to TPHs and registered persons, it will maintain the integrity of the Regulatory Element of the CE program and the CE program in general.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change is specifically intended to reduce the burden on firms while preserving the integrity of the CE program. As described above, the Web-based delivery method will provide registered persons the flexibility to complete the Regulatory Element at any location that they choose. Further, Web-based delivery is efficient and offers significant cost savings over test-center and in-firm deliveries. With respect to the authentication process for Web-based delivery, the CE candidate's personal identifying information will be masked and will be submitted to FINRA through a secure, encrypted, network. The personal identifying information submitted via the Web-based system will be used for authentication purposes only – the information will not be stored in the Web-based system.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received written comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act³³ and Rule 19b-4(f)(6)³⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2015-084 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 CFR 240.19b-4(f)(6).

All submissions should refer to File Number SR-CBOE-2015-084. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2015-084 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.³⁵

Robert W. Errett
Deputy Secretary

³⁵ 17 CFR 200.30-3(a)(12).