

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-51590; File No. SR-CBOE-2005-10)

April 21, 2005

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change to Revise Certain Membership Rules Related to the Testing and Orientation Requirements for Nominees of Member Organizations Approved Solely as Clearing Members

On January 25, 2005, the Chicago Board Options Exchange, Inc. (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to revise membership rules related to the testing and orientation requirements for certain members and to make other non-substantive changes. The proposed rule change was published for comment in the Federal Register on March 17, 2005.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

Pursuant to the proposed rule change, the Exchange will revise Exchange Rule 3.8(a)(iii) to provide that nominees of a member organization approved solely as a Clearing Member are not required to have an authorized trading function. The effect of the rule change is to eliminate the requirement that nominees of Clearing Members attend the Exchange’s Member Orientation Program and pass the Exchange’s Trading Member Qualification Exam. Clearing Members who wish to engage in trading activities on the Exchange will still be required to designate a nominee who has an authorized trading

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 51361 (March 11, 2005), 70 FR 13058.

function. The proposed rule change also makes certain other technical changes to internal Exchange procedures for categorizing its members.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5) of the Act,<sup>4</sup> which requires that the rules of the exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and in general, to protect investors and the public interest. The Commission finds that removing the requirements that nominees of member organizations approved solely as Clearing Members attend the Exchange's Member Orientation Program and pass the Exchange's Trading Member Qualification Exam is consistent with the requirements of Section 6(b)(5) of the Act because the exemption only applies to the nominees of member organizations that are not engaged with trading with the public.

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<sup>4</sup> 15 U.S.C. 78f(b)(5).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> that the proposed rule change (SR-CBOE-2005-10) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).