Regulatory Circular RG98-70

To: Members and Member Organizations

From: Regulatory Services Division

Date: June 23, 1998

Re: Changes to Rule 9.3 A, Continuing Education for Registered Persons

On March 3, 1998, the Securities and Exchange Commission ("SEC") approved changes to the Continuing Education Rules of the Chicago Board Options Exchange and other self-regulatory organizations ("SROs"),(see SEC Release No. 34-39712; File No. SR-CBOE-97-68). The changes to the rule supports the recommendations of the Securities Industry /Regulatory Council.[1] The changes to Rule 9.3A, Continuing Education for Registered Persons, strengthens the continuing education requirements for registered persons, and implements a new program designed for registered principals. The effective date of the changes is July 1, 1998. This new program designed specifically for registered principals will be implemented in the near future. Prior notice will be provided to members and member organizations of the actual start date of the principal program. Principals will continue to take the current Regulatory Element program until implementation of the new principals program.

A summary of the changes to the rule are as follows:

- Development of a new Regulatory Element related to the specific needs of registered principals. Individuals delegated supervisory responsibility or authority pursuant to Exchange Rule 9.8, Supervision of Accounts, must participate in the Regulatory Element.

- Registered persons will no longer graduate from the Continuing Education Program after their 10th anniversaries in the business. Registered persons will be required to participate in the appropriate Regulatory Element on the second anniversary of their initial securities registrations, as defined by the rule, and every three years thereafter throughout their careers.

- There will be a one-time grandfather provision from the Regulatory Element for those persons registered for 10 years or more in their respective registration as of July 1, 1998.

[1] The Council currently consists of 19 members, 13 of which are representatives of securities firms. The SRO council members are the AMEX, CBOE, MSRB, NASD, NYSE and PHLX. The SEC and state representation of NASAA are advisors to the Council.

- Members and Member firms are required to specifically focus on supervisory needs in conducting their annual analysis of training needs, and if it is determined that there is a specific need for supervisory training for registered principals, it must be addressed in the Firm Element training plan.

Questions concerning these changes may be directed to Lawrence J. Bresnahan, Vice President, Financial and Sales Practice Compliance at (312) 786-7713 or Emily Schmitz, Manager of Registration, at (312) 786-7056. A copy of the rule change may be obtained from the Legal Department by contacting the General Counsel's office at (312) 786-7462.