

EXHIBIT 3SPY Option Position Limit Pilot Program Report

The Exchange received approval to adopt unlimited position and exercise limits for options on the SPDR® S&P 500® ETF (“SPY”) as part of a pilot program (“Pilot”).¹ Subsequently, the Exchange filed to extend the Pilot, originally scheduled to end on November 27, 2013, until January 27, 2015.² As part of the Pilot, the Exchange stated, “that if it were to propose an extension, permanent approval or termination of the program, the Exchange would submit, along with any filing proposing such amendments to the program, a report providing an analysis of the SPY Pilot Program covering the first twelve (12) months during which the SPY Pilot Program was in effect (the “Pilot Report”).”³ Further, the Exchange stated, “The Pilot Report will detail the size and different types of strategies employed with respect to positions established as a result of the elimination of position limits in SPY. In addition, the Pilot Report will note whether any problems resulted due to the no limit approach and any other information that may be useful in evaluating the effectiveness of the pilot program. The Pilot Report will compare the impact of the pilot program, if any, on the volumes of SPY options and the volatility in the price of the underlying SPY shares, particularly at expiration. In preparing the report the Exchange will utilize various data elements such as volume and open interest.”⁴

Impact on SPY Volumes and Volatility

To assess the impact of the SPY Pilot Program on SPY option volumes, the Exchange compared SPY option monthly volume and open interest during January 2013 to December 2013

¹ See Securities Exchange Act Release No. 67936 (September 27, 2012), 77 FR 60491 (October 3, 2012) (Notice of Filing and Immediate Effectiveness of SR-BOX-2012-013).

² See Securities Exchange Act Release No. 70970 (December 3, 2013), 78 FR 73911 (December 9, 2013) (Notice of Filing and Immediate Effectiveness of SR-BOX-2013-53).

³ Id.

⁴ See supra note 2.

(the “Pre-Pilot period”) to SPY option monthly volume and monthly interest during January 2014 to December 2014 (the “Pilot period”) (see Table 1). Year-over-year, SPY volumes increased, as measured by average and median monthly volume, and average and median customer volume.⁵

TABLE 1: Comparison of SPY Options Volume Pre-Pilot vs. Pilot

	SPY
Average Monthly Volume Pre-Pilot	810,405
Average Monthly Volume Pilot	1,049,132
Average Monthly Customer Volume Pre-Pilot	615,465
Average Monthly Customer Volume Pilot	903,894
Median Monthly Volume Pre-Pilot	777,289
Median Monthly Volume Pilot	1,108,064
Median Monthly Customer Volume Pre-Pilot ¹	589,465
Median Monthly Customer Volume Pilot ¹	929,031
% Change In Average Monthly Volume Pilot vs Pre-Pilot	29%
% Change in Average Monthly Customer Volume Pilot vs Pre-Pilot ¹	47%
% Change in Median Monthly Volume Pilot vs Pre-Pilot	43%
% Change in Median Monthly Customer Volume Pilot vs Pre-Pilot ¹	58%

¹ Customer volume as reported by activity clearing in the customer range at the Options

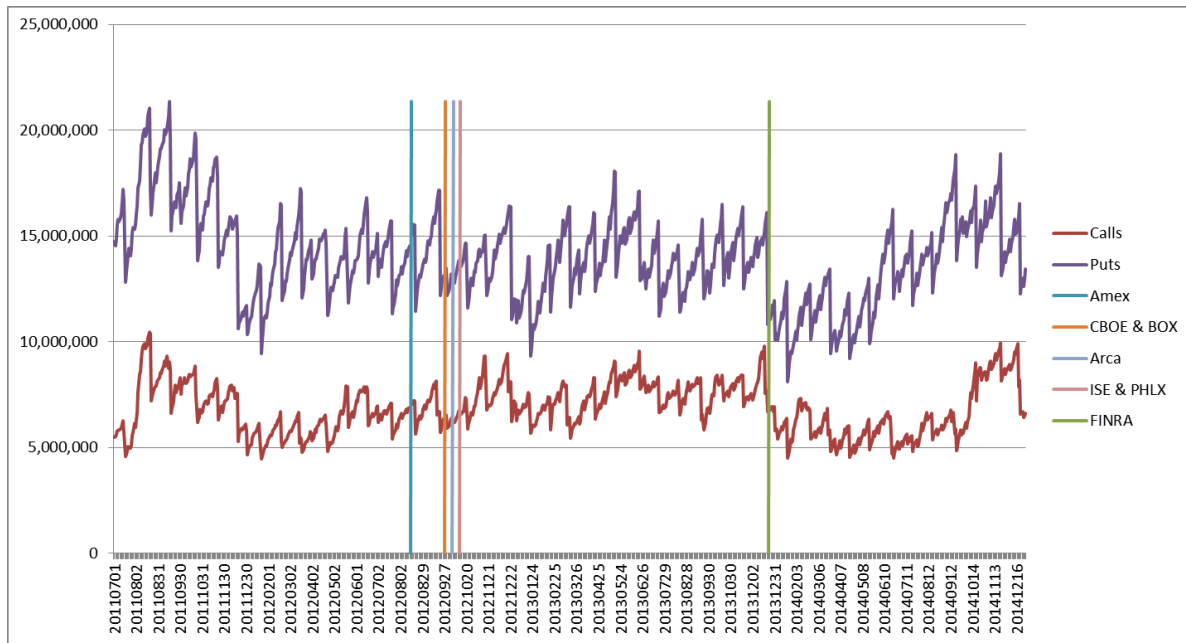
⁵ The Exchange notes that while it received approval to adopt unlimited position and exercise limits in October 2012, it was not until January 2014 that all relevant SRO’s adopted unlimited position and exercise limits for SPY. For this reason, the Exchange is using the time period from January 2013 to December 2013 to assess Pre-Pilot activity and the time period from January 2014 to October 2014 to assess Pilot activity.

The Exchange also compared SPY during the Pre-Pilot and Pilot periods and found that open interest declined over the relevant time period (see Table 2).

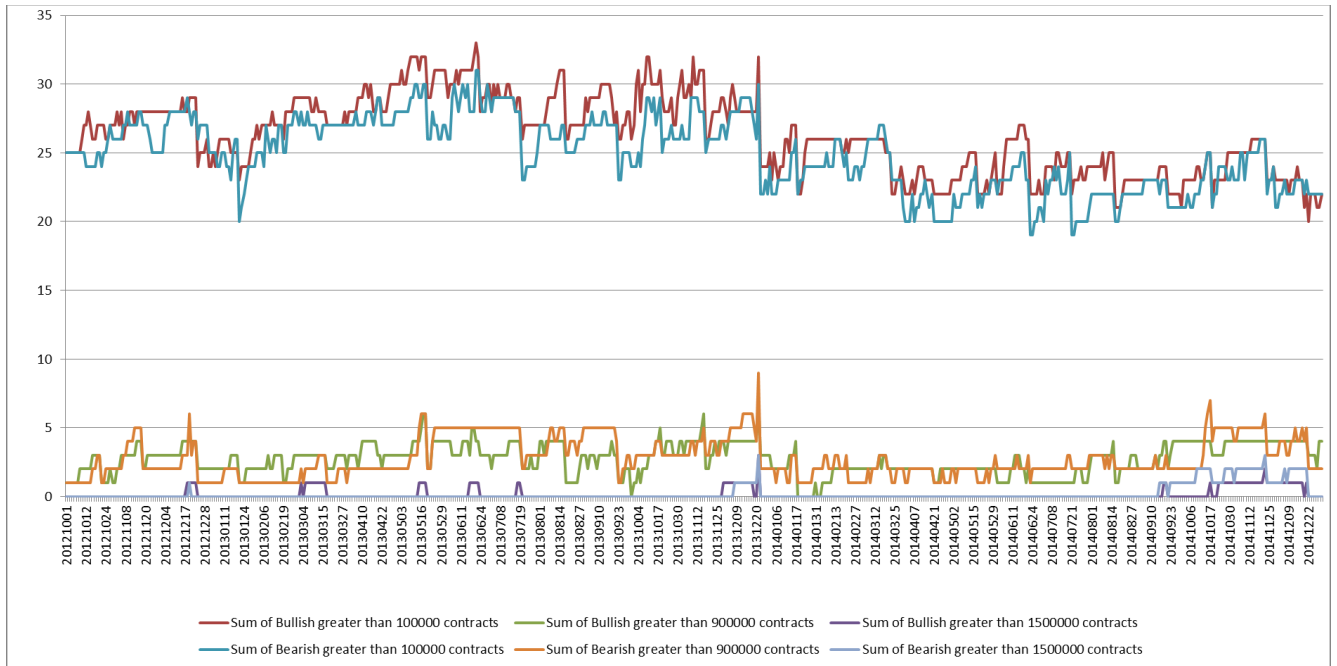
TABLE 2: Comparison SPY Options Open Interest Pre-Pilot vs. Pilot

	Pre-Pilot	Pilot
Average Daily Open Interest	20,969,374	19,460,800
Median Daily Open Interest	20,929,733	19,007,297

In addition, the chart below shows open interest at the time each SRO adopted the unlimited position limit for SPY options. There is no discernible impact of the introduction of unlimited position limits on open interest.



Lastly, the Exchange looked at bullish and bearish positions, as required under BOX Rule 3120 (Position Limits). The chart below highlights the trend for bullish positions and bearish positions that exceeded 100,000 contracts, 900,000 contracts and 1,500,000 contracts beginning in October 2012. There is no discernible trend evidenced.



Conclusion

The Exchange believes that there is evidence to support a continuation of the SPY Pilot Program at this time. The Exchange’s study did not reveal any adverse consequences to volatility or changes in open interest due to the SPY Pilot Program. With respect to volume, the SPY Pilot Program has potentially proven to be beneficial to market participants, as demonstrated by the increase in SPY volume during the SPY Pilot when compared to the Pre-Pilot Period.