

Required fields are shown with yellow backgrounds and asterisks.

Filing by International Securities Exchange  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
 Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
 Proposal to extend the SPY position and exercise limit pilot.

**Contact Information**  
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Adrian Last Name \* Griffiths  
 Title \* Assistant General Counsel  
 E-mail \* agriffiths@ise.com  
 Telephone \* (212) 897-0367 Fax

**Signature**  
 Pursuant to the requirements of the Securities Exchange Act of 1934,  
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
 (Title \*)  
 Date 07/07/2016 Secretary and General Counsel  
 By Michael Simon (Name \*)  
 NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.  
 Persona Not Validated - 1443109051649,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The International Securities Exchange, LLC (the “Exchange” or the “ISE”) proposes to amend its rules to extend the pilot program that eliminated position and exercise limits for physically-settled options on the SPDR S&P ETF Trust (“SPY”) (“SPY Pilot Program”). The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange staff approved this proposed rule change pursuant to authority delegated to it by the Exchange’s Board of Directors on September 15, 2005. This action constitutes the requisite approval under the Exchange’s Certificate of Formation, Operating Agreement and Constitution.

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

(a) Purpose – The Exchange proposes to amend Supplementary Material .01 to Rule 412 and Supplementary Material .01 to Rule 414 to extend the duration of the SPY Pilot Program through July 12, 2017. This filing does not propose any substantive changes to the SPY Pilot Program. In proposing to extend the SPY Pilot Program, the Exchange reaffirms its consideration of several factors that supported the original proposal of the SPY Pilot Program, including (1) the liquidity of the option and the underlying security, (2) the market capitalization of the underlying security and the related index, (3) the reporting of large positions and requirements surrounding margin, and (4) financial requirements imposed by ISE and the Commission.

With this proposed extension to the SPY Pilot Program, the Exchange has submitted a report to the Commission reflecting the trading of standardized SPY options without position limits from January through May 2016. The report was prepared in the manner specified in the filing extending the SPY Pilot Program to the current pilot end date of July 12, 2016. The Exchange notes that it is unaware of any problems created by the SPY Pilot Program and does not foresee any as a result of the proposed extension. The proposed extension will allow the Exchange and the Commission to further evaluate the SPY Pilot Program and the effect it has on the market.

The Exchange represents that, should the Exchange propose to extend the pilot program, adopt on a permanent basis the pilot program or terminate the pilot program, it will submit a new pilot report at least thirty (30) days before the end of the extended SPY Pilot Program, which will cover the extended pilot period. 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 SPY Pilot Program. The Pilot Report will compare the impact of the SPY 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. In addition the Exchange will make available to Commission staff data elements relating to the effectiveness of the SPY Pilot Program.

Conditional on the findings in the Pilot Report, the Exchange will file with the Commission a proposal to extend the pilot program, adopt the pilot program on a permanent basis or terminate the pilot. If the SPY Pilot Program is not extended or adopted on a permanent basis by the expiration of the extended pilot, the position limits for SPY would revert to limits that were in effect prior to the commencement of the SPY Pilot Program.

(b) Statutory Basis – The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>1</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>2</sup> because it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that extending the SPY Pilot Program promotes just and equitable principles of trade by permitting market participants, including market makers, institutional investors and retail investors, to establish greater positions when pursuing their investment goals and needs. The Exchange also believes that economically equivalent products should be treated in an equivalent manner so as to avoid regulatory arbitrage, especially with respect to position limits. Treating SPY and SPX options differently by virtue of imposing different position limits is inconsistent with the notion of promoting just and equitable principles of trade and removing impediments to perfect the mechanisms of a free and open market. At the same time, the Exchange believes that the elimination of position limits for SPY options would not increase market volatility or facilitate the ability to manipulate the market.

#### 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>3</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any aspect of competition, whether between the Exchange and its competitors, or among market participants. Instead the proposed rule change is designed to allow the

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

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

<sup>3</sup> 15 U.S.C. 78f(b)(8).

SPY Pilot Program to continue as all other self-regulatory organizations currently participating in the SPY Pilot Program are expected to extend it for an additional year.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) of the Act,<sup>4</sup> and Rule 19b-4(f)(6)<sup>5</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the proposed rule change will not impose any significant burden on competition, or significantly affect the protection of investors or the public interest, and therefore qualifies as “non-controversial” under Rule 19b-4(f)(6). For instance, the proposed rule change does not offer any substantive changes to the SPY Pilot Program. Instead, the rule change allows the SPY Pilot Program to continue, and other exchanges are expected to file to extend it as well. As such, the Exchange does not believe that the proposed rule change raises any new regulatory issues not already considered by the Commission.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30 day operative delay period. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the SPY Pilot Program to continue uninterrupted.

Furthermore, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five

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<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 3 – Pilot Report.

Exhibit 5 – Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-ISE-2016-16)

[Date]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the SPY Pilot Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 7, 2016, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. 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 ISE proposes to amend its rules to extend the pilot program that eliminated position and exercise limits for physically-settled options on the SPDR S&P ETF Trust ("SPY") ("SPY Pilot Program"). The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.com>), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and

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

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

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 self-regulatory organization 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 Exchange proposes to amend Supplementary Material .01 to Rule 412 and Supplementary Material .01 to Rule 414 to extend the duration of the SPY Pilot Program through July 12, 2017. This filing does not propose any substantive changes to the SPY Pilot Program. In proposing to extend the SPY Pilot Program, the Exchange reaffirms its consideration of several factors that supported the original proposal of the SPY Pilot Program, including (1) the liquidity of the option and the underlying security, (2) the market capitalization of the underlying security and the related index, (3) the reporting of large positions and requirements surrounding margin, and (4) financial requirements imposed by ISE and the Commission.

With this proposed extension to the SPY Pilot Program, the Exchange has submitted a report to the Commission reflecting the trading of standardized SPY options without position limits from January through May 2016. The report was prepared in the manner specified in the filing extending the SPY Pilot Program to the current pilot end date of July 12, 2016. The Exchange notes that it is unaware of any problems created by the SPY Pilot Program and does not foresee any as a result of the proposed extension. The proposed extension will allow the Exchange and the Commission to further evaluate the SPY Pilot Program and the effect it has on the market.



The Exchange represents that, should the Exchange propose to extend the pilot program, adopt on a permanent basis the pilot program or terminate the pilot program, it will submit a new pilot report at least thirty (30) days before the end of the extended SPY Pilot Program, which will cover the extended pilot period. 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 SPY Pilot Program. The Pilot Report will compare the impact of the SPY 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. In addition the Exchange will make available to Commission staff data elements relating to the effectiveness of the SPY Pilot Program.

Conditional on the findings in the Pilot Report, the Exchange will file with the Commission a proposal to extend the pilot program, adopt the pilot program on a permanent basis or terminate the pilot. If the SPY Pilot Program is not extended or adopted on a permanent basis by the expiration of the extended pilot, the position limits for SPY would revert to limits that were in effect prior to the commencement of the SPY Pilot Program.

## 2. Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of

the Act.<sup>3</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>4</sup> because it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that extending the SPY Pilot Program promotes just and equitable principles of trade by permitting market participants, including market makers, institutional investors and retail investors, to establish greater positions when pursuing their investment goals and needs. The Exchange also believes that economically equivalent products should be treated in an equivalent manner so as to avoid regulatory arbitrage, especially with respect to position limits. Treating SPY and SPX options differently by virtue of imposing different position limits is inconsistent with the notion of promoting just and equitable principles of trade and removing impediments to perfect the mechanisms of a free and open market. At the same time, the Exchange believes that the elimination of position limits for SPY options would not increase market volatility or facilitate the ability to manipulate the market.

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

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>5</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any aspect of competition, whether between the Exchange and its competitors, or among market participants. Instead the proposed rule change is designed to allow the

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<sup>3</sup> 15 U.S.C. 78f(b).

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

<sup>5</sup> 15 U.S.C. 78f(b)(8).

SPY Pilot Program to continue as all other self-regulatory organizations currently participating in the SPY Pilot Program are expected to extend it for an additional year.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>7</sup> because the foregoing proposed rule change does not (i) significantly affect the protection of investors or the public interest, (ii) impose any significant burden on competition, and (iii) become operative for 30 days after its filing date, or such shorter time as the Commission may designate.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

#### 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](mailto:rule-comments@sec.gov). Please include File No. SR-ISE-2016-16 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-ISE-2016-16. 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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-ISE-2016-16 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 3

## Report in Support of Extending the SPY Pilot Program

The SPDR S&P ETF Trust (“SPY”) remains the most recognizable and actively traded Exchange Traded Fund (“ETF”). At the end of the most recent analyzed period from January 2016 through June 2016 (“Pilot Period 4”), the Net Asset Value of SPY was just over \$186B<sup>1</sup> which was an increase over the \$182B identified in the last analyzed period prior to this report from January 2015 through June 2015 (“Pilot Period 2”).<sup>2</sup> Additionally trading volume remained similar to the last review with a 3-month average daily volume of 101M shares versus 103M shares traded on average back in June 2015.<sup>1</sup>

The International Securities Exchange LLC, ISE Gemini LLC and ISE Mercury LLC (the “Exchanges”) have eliminated position and exercise limits for physically-settled options on SPY pursuant to a pilot set to end on July 12, 2016 (the “SPY Pilot Program”). The Exchanges are submitting this Pilot Report for the review of two more Pilot Periods: July 2015 through December 2015 (“Pilot Period 3”), and the previously mentioned Pilot Period 4, to provide the Commission with data and written analysis related to the elimination of SPY position limits.

### A. Option Trading Volume, Position Limits, and Open Interest for SPY

#### 1. Trading Volume

During the last year, SPY continued to be the most actively traded multi-listed option product in the industry. In Pilot Periods 3 and 4 it accounted for 16.7% and 16.6% of the industry options volume respectively. In Period 2 it was 14.9% of the option market volume. The volume breakdown in Table A below shows the volume changes from the last Pilot Period through the past year. There was a significant jump in volume when comparing Periods 3 and 4 to Period 2. Similar results were found when analyzing the average and median volumes in SPY. The increases in volumes are likely attributed to increased volatility in August and September 2015 (see Section 3. Underlying Price Volatility, for further information in regards to volatility).

*Industry Option Volume Totals in SPY – Table A*

Measurement	Pilot Period 2 <sup>2</sup>	Pilot Period 3	Pct. Difference	Pilot Period 4	Pct. Difference
Total	291,529,959	364,412,315	25.00%	341,780,022	-6.21%
ADV	2,316,371	2,846,621	22.89%	2,744,393	-3.59%
Median	2,167,300	2,676,667	23.50%	2,659,184	-0.65%
Max	2,840,847	3,611,727	27.14%	3,462,451	-4.13%
Min	1,997,983	2,206,006	10.41%	2,262,206	2.55%

The Exchanges also assessed SPY volumes specifically on expiration over the periods of review when volumes are higher as shown in Table B. There was a major jump in SPY volumes at expiration

<sup>1</sup> See <http://etfdb.com/compare/market-cap/>

<sup>2</sup> Pilot Period 2 was adjusted to six months (January through June 2015) as six months of data is now available vs. only five months at the time of the last Pilot report.

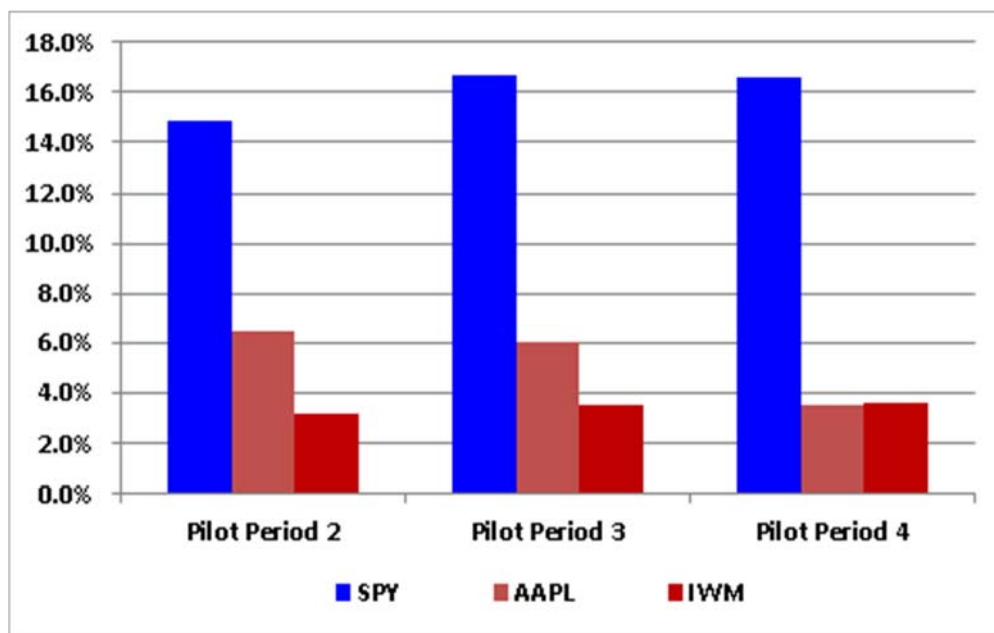
between Periods 2 and 3 followed by more of the normal numbers in Period 4. The numbers in Pilot Period 3 are significantly affected by the events that occurred in August 2015 and not because of the elimination of SPY position limits.

*Industry Option Volume Totals in SPY at Expiration – Table B*

Pilot Period 2 <sup>3</sup>	Pilot Period 3	Pct. Difference	Pilot Period 4	Pct. Difference
3,263,397	4,799,263	47.06%	3,625,560	-24.46%
3,491,666	4,067,381	16.49%	3,402,761	-16.34%
3,797,478	10,216,618	169.04%	5,420,786	-46.94%
2,012,261	2,336,483	16.11%	2,669,445	14.25%

Having no position limits did not diminish nor increase SPY's popularity. As mentioned earlier, SPY volume continues to outpace the next most active multi-listed option products, AAPL and IWM, by more than double, as identified in Chart A.

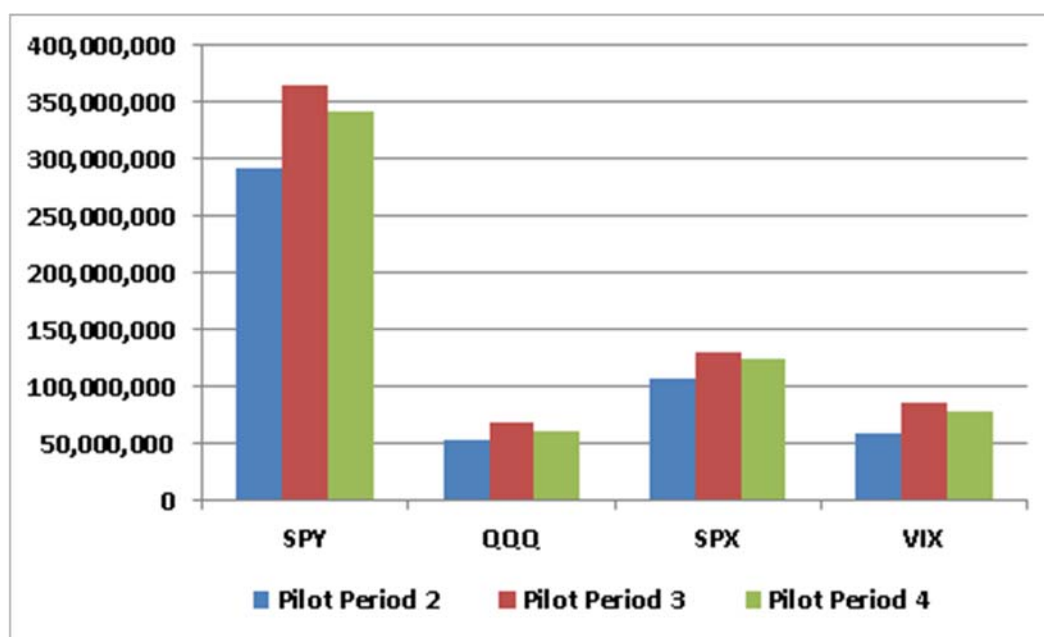
*SPY Option Volumes As Compared to the Next Most Active Multi-listed Products – Chart A*



<sup>3</sup> Pilot Period 2 has six months of data – see footnote 2.

In Chart B the Exchanges reviewed SPY versus other popular option products with and without position limits. From this data, it is evident that SPY trades far more than either the PowerShares QQQ Trust, Series 1 (“QQQ”) which currently has a position limit of 900,000 contracts or two popular indexes that do not have position limits, the S&P 500 Index (“SPX”), and CBOE Volatility Index (“VIX”). Eliminating position limits has not changed trading in SPY, and continues to not factor into any volume changes in the other popular products, including ones that haven’t had limits for some time now.

*SPY Versus Other Popular Option Products with High or No Position Limits – Chart B*



## 2. Open Interest

Open interest in SPY options on standard expiration between Pilot Periods 2, 3 and 4 were moderately varied with the biggest differences between Periods 2 and 3. But in general open interest remained around 22 million over the periods analyzed. That consistency continues to enforce our belief that position limits have had no effect on the trading of SPY.

*Open Interest<sup>4</sup> in SPY Options on Expiration – Table C*

Pilot Period 2	Pilot Period 3	Pct. Difference	Pilot Period 4	Pct. Difference
20,755,044	22,775,902	9.74%	21,956,776	-3.60%
20,728,234	22,847,604	10.22%	21,448,866	-6.12%
22,391,079	24,352,597	8.76%	24,603,115	1.03%
19,857,407	20,945,541	5.48%	20,015,495	-4.44%

<sup>4</sup> Open Interest was measured on expiration Friday for each month (unless a holiday fell on that day in which case the prior day’s data was used) and then averaged over each respective year for the Pre-Pilot and Pilot Periods.



### 3. Underlying Price Volatility

As mentioned earlier, volatility in the underlying stock price of SPY increased in the latter part of Pilot Period 3 as evidenced below, marking a nearly 39% increase over Period 2. Volatility tracked back down towards SPY's typical levels in Period 4 but was still higher than in the early part of 2015 and the last Pilot Period review. As stated in previous reports, volatility was higher between the Pilot Periods but the difference points strongly to short-term market events rather than the elimination of position limits.

*Price Volatility of SPY Underlying Stock<sup>5</sup> – Table C*

Pilot Period 2	Pilot Period 3	Pct. Difference	Pilot Period 4	Pct. Difference
0.783	1.086	38.70%	0.892	-17.87%

#### B. Trading Behavior and Exchange Issues

There were no noticeable changes to member trading with respect to size or strategy following the extension of the SPY Pilot Program. Also, no problems were observed nor reported during the two Pilot Periods.

#### C. Conclusion

As identified in the data provided for the two Pilot Periods covering July 2015 through June 2016, there continues to be no undesirable consequences associated with the SPY Pilot Program. Option volume and open interest in SPY remains consistent over the two Periods. In addition, there was no significant increase in volatility in the SPY underlying stock price attributed to changes in Position Limits. The Exchanges thus believe that a continuation of the SPY Pilot Program is warranted at this time.

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<sup>5</sup> Volatility was measured by taking closing price changes in SPY between monthly expiration periods (approximately four weeks) then averaged for the year. Formula used: Standard Deviation X (Price Change for a Frequency).

## Exhibit 5

Text of the Proposed Rule Change

Underlining indicates additions; [brackets] indicate deletions.

\* \* \*

**Rule 412. Position Limits**

\* \* \*

***Supplementary Material to Rule 412***

.01 The position limits applicable to option contracts on the securities listed in the chart below are as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
The Standard and Poor's Depository Receipts® Trust (SPY)	None
The iShares® Russell 2000® Index Fund (IWM)	500,000 contracts
The PowerShares QQQQ Trust (QQQQ)	900,000 contracts
The iShares MSCI Emerging Markets Index Fund (EEM)	500,000 contracts

Position Limits for SPY options are subject to a pilot program through July 12, [2016] 2017.

\* \* \*

**Rule 414. Exercise Limits**

\* \* \*

***Supplementary Material to Rule 414***

.01 The exercise limits applicable to option contracts on the securities listed in the chart below is as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
The Standard and Poor's Depository Receipts® Trust (SPY)	None
The iShares® Russell 2000® Index Fund (IWM)	500,000 contracts
The PowerShares QQQQ Trust (QQQQ)	900,000 contracts
The iShares MSCI Emerging Markets Index Fund (EEM)	500,000 contracts

Exercise Limits for SPY options are subject to a pilot program through July 12, [2016] 2017.

\* \* \*