Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *
Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Executive Vice President and General Counsel

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.
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) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder, the NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposal to extend for another twelve (12) month time period the pilot program to eliminate position limits for options on the SPDR® S&P 500® exchange-traded fund ("SPY ETF" or "SPY"), which list and trade under the symbol SPY ("SPY Pilot Program").

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed Rule is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by senior management of NASDAQ pursuant to authority delegated by the Board of Directors of NASDAQ on July 16, 2014. NASDAQ staff will advise the Board of Directors of NASDAQ of any action taken

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2 17 CFR 240.19b-4
pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

   The purpose of the proposed rule change is to amend the Supplementary Material at the end of Chapter III, Section 7 (Position Limits) to extend the current pilot which expires on July 12, 2015 for an additional twelve (12) month time period to July 12, 2016 (“Extended Pilot”). 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 availability of economically equivalent products and their respective position limits; (2) the liquidity of the option and the underlying security; (3) the market capitalization of the underlying security and the related index; (4) the reporting of large positions and requirements surrounding margin; and (5) the potential for market on close volatility.

   The Exchange submitted a report to the Commission on June 11, 2015, which report reflects, during the time period from May 2014 through May 2015, the trading of standardized SPY options with no position limits consistent with option exchange provisions. The report was prepared in the manner specified in the Exchange’s prior

   The report is attached as Exhibit 3.
filing extending the SPY Pilot Program. 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 additional time to further evaluate the pilot program and its effect on the market.

As with the original proposal to establish the SPY Pilot Program, the Exchange represents that a SPY Pilot Report will be submitted at least thirty (30) days before the end of the Extended Pilot and would analyze that 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 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 Extended Pilot. 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 during the Extended Pilot. 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

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for SPY options would revert to limits in effect prior to the commencement of the SPY Pilot Program.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it is 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 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.

The Exchange believes that the proposed rule change would be beneficial to market participants, including market makers, institutional investors and retail investors, by permitting them 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.

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\(^7\) 15 U.S.C. 78f(b)(5).
4. **Self-Regulatory Organization's Statement on Burden on Competition**

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In this regard, the Exchange notes that the rule change is being proposed as a competitive response to similar filings that the Exchange expects to be filed by other options exchanges. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges and to establish uniform position limits for a multiply listed options class.

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

No written comments were either solicited or received.

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\(^8\) and Rule 19b-4(f)(6)\(^9\) 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 its proposed rule change will be substantially similar to extensions

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made by other options exchanges to extend the SPY Pilot Program. In addition, the Exchange believes that extending the SPY Pilot Program is non-controversial and will not significantly affect the protection of investors because it permits market participants to establish greater positions when pursuing their investment goals and needs. At the same time, the Exchange believes that the continued elimination of position limits for SPY options would not increase market volatility or facilitate the ability to manipulate the market.

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 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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay and designate the proposed rule change to become operative upon filing. Waiver of the operative delay is consistent with the protection of investors and the public interest because the instant proposed rule change does not involve any substantive changes to the Exchange’s Rules and only seeks to extend the previously approved SPY Pilot Program. Further, the extension will ensure fair competition among exchanges by allowing the Exchange to continue to eliminate the

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position and exercise limits for physically-settled SPY options on a pilot basis and operate the same type of SPY Pilot Program as currently exists on other options exchanges. The waiver is consistent with the protection of investors and the public interest because it will permit the SPY Pilot Program to continue without interruption.

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

The Exchange expects that the proposed rule change will be similar to filings it expects other options exchanges to file to extend the SPY Pilot Program.

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

1. Notice of proposed rule for publication in the Federal Register.

3. SPY Pilot Report.

5. Applicable portion of the rule text.
July __, 2015

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to SPY Position Limits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on July 8, 2015, The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. 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 extend for another twelve (12) month time period the pilot program to eliminate position limits for options on the SPDR® S&P 500® exchange-traded fund (“SPY ETF” or “SPY”),³ which list and trade under the symbol SPY (“SPY Pilot Program”).

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³ “SPDR®,” “Standard & Poor’s®,” “S&P®,” “S&P 500®,” and “Standard & Poor’s 500” are registered trademarks of Standard & Poor’s Financial Services LLC. The SPY ETF represents ownership in the SPDR S&P 500 Trust, a unit investment trust that generally corresponds to the price and yield performance of the SPDR S&P 500 Index.
The text of the proposed rule change is available on the Exchange’s Website at http://nasdaq.chwallstreet.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 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 purpose of the proposed rule change is to amend the Supplementary Material at the end of Chapter III, Section 7 (Position Limits) to extend the current pilot which expires on July 12, 2015 for an additional twelve (12) month time period to July 12, 2016 (“Extended Pilot”). 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 availability of economically equivalent products and their respective position limits; (2) the liquidity of the option and the underlying security; (3) the market capitalization of the underlying security and the related index; (4) the reporting of large positions and requirements surrounding margin; and (5) the potential for market on close volatility.
The Exchange submitted a report to the Commission on June 11, 2015, which report reflects, during the time period from May 2014 through May 2015, the trading of standardized SPY options with no position limits consistent with option exchange provisions.\(^4\) The report was prepared in the manner specified in the Exchange’s prior filing extending the SPY Pilot Program.\(^5\) 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 additional time to further evaluate the pilot program and its effect on the market.

As with the original proposal to establish the SPY Pilot Program, the Exchange represents that a SPY Pilot Report will be submitted at least thirty (30) days before the end of the Extended Pilot and would analyze that 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 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 Extended Pilot. 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 during the Extended Pilot. 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.

\(^4\) The report is attached as Exhibit 3.
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 options would revert to limits in effect prior to the commencement of the SPY Pilot Program.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it is 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 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.

The Exchange believes that the proposed rule change would be beneficial to market participants, including market makers, institutional investors and retail investors, by permitting them 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

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\(^7\) 15 U.S.C. 78f(b)(5).
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 proposed rule change does not impose any burden on competition that is not
necessary or appropriate in furtherance of the purposes of the Act. In this regard, the
Exchange notes that the rule change is being proposed as a competitive response to
similar filings that the Exchange expects to be filed by other options exchanges. The
Exchange believes this proposed rule change is necessary to permit fair competition
among the options exchanges and to establish uniform position limits for a multiply listed
options class.

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

No written comments were either solicited or received.

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

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 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)(iii) of the Act\(^8\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^9\)


organization to give the Commission written notice of its intent to file the
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.

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-NASDAQ-2015-072 on the subject line.

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

All submissions should refer to File Number SR-NASDAQ-2015-072. 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 proposed rule change at least five 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.
Commission will post all comments on the Commission’s Internet Web site

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, DC 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-NASDAQ-2015-072 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.\textsuperscript{10}

Robert W. Errett
Deputy Secretary

\textsuperscript{10} 17 CFR 200.30-3(a)(12).
Summary

This report covers the period from May 12, 2014 to May 12, 2015 (“Current Time Period”). In analyzing the data within the report for the Current Time Period, NASDAQ Options Market LLC compares this data with data from a prior period, December 1, 2013 to May 12, 2014 (“Prior Time Period”).

General

This report provides statistics on SPY contracts traded, Open Interest, Volatility (Standard Deviation), and average position per account for two comparing time periods:

- Prior Time Period – December 1, 2013 to May 12, 2014.
Section 1 – Review on Open Interest, Contracts Traded, and SPY Share Price

<table>
<thead>
<tr>
<th></th>
<th>Prior Time Period</th>
<th>Current Time Period</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open Interest</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>21,637,086</td>
<td>18,452,533</td>
<td>-14.72%</td>
</tr>
<tr>
<td>Max</td>
<td>26,047,552</td>
<td>21,126,224</td>
<td>-18.89%</td>
</tr>
<tr>
<td>Min</td>
<td>17,388,452</td>
<td>14,371,045</td>
<td>-17.35%</td>
</tr>
<tr>
<td><strong>Contracts Traded</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>132,696,489</td>
<td>86,801,769</td>
<td>-34.59%</td>
</tr>
<tr>
<td>Max</td>
<td>321,255,850</td>
<td>189,260,864</td>
<td>-41.09%</td>
</tr>
<tr>
<td>Min</td>
<td>54,072,643</td>
<td>52,474,832</td>
<td>-2.95%</td>
</tr>
<tr>
<td><strong>SPY Share Price</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Dev.</td>
<td>3.35</td>
<td>3.00</td>
<td>-10.27%</td>
</tr>
<tr>
<td>Max</td>
<td>$170.95</td>
<td>$198.65</td>
<td>16.20%</td>
</tr>
<tr>
<td>Min</td>
<td>$157.06</td>
<td>$187.40</td>
<td>19.32%</td>
</tr>
</tbody>
</table>

Compared to the prior time period the average Open Interest and the average number of contracts traded fell as volatility in SPY share price decreased.

Section 2 – Activity during Expiration

<table>
<thead>
<tr>
<th></th>
<th>Prior Time Period</th>
<th>Current Time Period</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open Interest</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>21,129,827</td>
<td>18,381,262</td>
<td>3.6%</td>
</tr>
<tr>
<td>Max</td>
<td>23,423,233</td>
<td>19,834,099</td>
<td>11.2%</td>
</tr>
<tr>
<td>Min</td>
<td>19,807,430</td>
<td>16,948,995</td>
<td>-12.3%</td>
</tr>
<tr>
<td><strong>Contracts Traded</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>128,380,245</td>
<td>90,489,748</td>
<td>18.4%</td>
</tr>
<tr>
<td>Max</td>
<td>211,737,712</td>
<td>189,260,864</td>
<td>51.7%</td>
</tr>
<tr>
<td>Min</td>
<td>54,072,643</td>
<td>52,474,832</td>
<td>-12.3%</td>
</tr>
<tr>
<td><strong>SPY Share Price</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Dev.</td>
<td>4.19</td>
<td>2.24</td>
<td>-22.2%</td>
</tr>
<tr>
<td>Max</td>
<td>$170.95</td>
<td>$198.20</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Min</td>
<td>$161.21</td>
<td>$192.01</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>
Average Open Interest increased by 7.7% during the current time period compared to a 3.6% increase during the before period.

**Section 3 – Complex Strategy Trade Types and Changes in Average Position Account**

**Average Complex Trade Size (contracts)**

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Prior Time Period</th>
<th>Current Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy-Writes</td>
<td>346</td>
<td>420</td>
</tr>
<tr>
<td>Straddles</td>
<td>53</td>
<td>59</td>
</tr>
<tr>
<td>Combos</td>
<td>44</td>
<td>39</td>
</tr>
<tr>
<td>Spreads</td>
<td>65</td>
<td>57</td>
</tr>
</tbody>
</table>

Average complex trade size increased despite a reduction in the average complex trade count between the two periods. The increase in complex was primarily driven by spread strategy trades that were smaller in size compared to the prior time period.
New text is underlined; deleted text is in brackets.

NASDAQ Stock Market Rules

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Options Rules

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Chapter III Business Conduct

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Sec. 7 Position Limits

(a) and (b) No change.

Supplementary Material:

(i) Options on the SPDR® S&P 500® exchange-traded fund (“SPY ETF”), which list and trade under the symbol SPY, have no position limits subject to a Pilot Program set to expire [July 12, 2015] July 12, 2016.

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