

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Item 1. Text of the Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to amend Interpretation and Policy .07 to Rule 4.11 (Position Limits) by extending a pilot program that eliminates the position and exercise limits for physically-settled options on the SPDR S&P 500 ETF Trust (“SPY Pilot Program”), which is currently set to expire on July 12, 2016. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 4.11. Position Limits

No changes.

... Interpretations and Policies:

.01 - .06 No change.

.07 The position limits under Rule 4.11 applicable to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Interpretation and Policy .06 under Rule 5.3 shall be the same as the position limits applicable to equity options under Rule 4.11 and Interpretations and Policies thereunder; except that the position limits under Rule 4.11 applicable to option contracts on the securities listed in the below chart are as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
The Standard and Poor’s Depository Receipt Trust (SPY)	None
The iShares Russell 2000 Index Fund (IWM)	500,000 contracts

The PowerShares QQQ Trust (QQQ)	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] July 12, 2017.

.08 No change.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on June 14, 2016.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Nicholas Still, (312) 786-7006, Chicago Board Options Exchange, Incorporated, 400 South LaSalle, Chicago, Illinois 60605.

Item 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 Interpretation and Policy .07 to Rule 4.11 (Position Limits) to extend the duration of the SPY Pilot Program.¹ The SPY Pilot Program is currently scheduled to expire on July 12, 2016 and this proposal would extend the SPY

¹ See Securities Exchange Act Release Nos. 67937 (September 27, 2012), 77 FR 60489 (October 3, 2012) (SR-CBOE-2012-091); 70878 (November 14, 2013), 78 FR 69737 (November 20, 2013) (SR-CBOE-2013-106); 74149 (January 27, 2015) 80 FR 5606 (February 2, 2015) (SR-CBOE-2015-008); and 75381 (July 7, 2015) 80 FR 40111 (July 13, 2015) (SR-CBOE-2015-065).

Pilot Program through July 12, 2017. There are no substantive changes being proposed to the SPY Pilot Program.

In proposing to extend the SPY Pilot Program, the Exchange reaffirms its consideration of several factors that supported its original proposal to establish the SPY Pilot Program, which include: (1) the liquidity of the option and the underlying security; (2) the market capitalization of the underlying security and the securities that make up the S&P 500 Index; (3) options reporting requirements; and (4) financial requirements imposed by CBOE and the Commission. When the SPY Pilot Program was most recently renewed in July 2015, CBOE submitted a report providing an analysis of the SPY Pilot Program during the period January 2014 through May 2015 (the “Pilot Report”). In the July 2015 extension, the Exchange stated that if it were to submit a proposal to either extend the SPY Pilot Program, adopt the SPY Pilot Program on a permanent basis, or terminate the SPY Pilot Program, it would submit another Pilot Report covering the period since the previous extension.² Accordingly, the Exchange is submitting another Pilot Report that details CBOE’s experience with the SPY Pilot Program. The Pilot Report now includes the period of June 2015 through April 2016. The Pilot Report is attached as Exhibit 3. CBOE 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. In extending the SPY Pilot Program, the Exchange states that if CBOE were to propose another extension, permanent approval or termination of the SPY Pilot Program, the Exchange will submit another Pilot Report covering the period since the previous extension, which will be submitted at least 30 days before the end of the

² See 80 FR at 40112.

proposed extension. If the SPY Pilot Program is not extended or adopted on a permanent basis by July 12, 2017, position limits in SPY will revert to their Pre-Pilot levels.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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. Specifically, 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. Extending the SPY Pilot Program will give the Exchange and the Commission additional time to evaluate the pilot and its effect on the market.

Item 4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will 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

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

participants. Instead, the proposed rule change is designed to allow the SPY Pilot Program to continue as the Exchange expects other SROs will propose similar extensions.

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

The Exchange neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act⁵ and Rule 19b-4(f)(6)⁶ thereunder.

(b) The Exchange designates that the proposed rule change 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. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

The proposed rule change allows for an extension of the SPY Pilot Program for the benefit of market participants and allows for continued analysis of how the SPY Pilot Program should be structured in the future. The Exchange believes the SPY Pilot Program benefits market makers (which generally have the greatest potential and actual ability to provide liquidity and depth in the product), as well as retail traders, investors, and public customers, by providing them with a more effective trading and hedging vehicle.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the 30-day operative delay will allow the Exchange to extend the pilot program prior to its expiration on July 12, 2016. In addition, the Exchange believes that waiver of the operative delay is also consistent with the protection of investors and the public interest because it will allow for the least amount of market disruption as the pilot will continue as it currently does maintaining the status quo.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 3. Copies of any form, report, or questionnaire covered by Item 1(a).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2016-052]

[Insert date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend a Pilot Program that Eliminates Position and Exercise Limits for Physically-Settled SPDR S&P 500 ETF Trust (“SPY”) Options.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 the operation of a pilot program that eliminates position and exercise limits for physically-settled SPY options (“SPY Pilot Program”). The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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**Chicago Board Options Exchange, Incorporated
Rules**

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Rule 4.11. Position Limits

No changes.

... Interpretations and Policies:

.01 - .06 No change.

.07 The position limits under Rule 4.11 applicable to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Interpretation and Policy .06 under Rule 5.3 shall be the same as the position limits applicable to equity options under Rule 4.11 and Interpretations and Policies thereunder; except that the position limits under Rule 4.11 applicable to option contracts on the securities listed in the below chart are as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
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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] July 12, 2017.

.08 No change.

* * * * *

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, 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 Exchange proposes to amend Interpretation and Policy .07 to Rule 4.11 (Position Limits) to extend the duration of the SPY Pilot Program.⁵ The SPY Pilot Program is currently scheduled to expire on July 12, 2016 and this proposal would extend the SPY Pilot Program through July 12, 2017. There are no substantive changes being proposed to the SPY Pilot Program.

In proposing to extend the SPY Pilot Program, the Exchange reaffirms its consideration of several factors that supported its original proposal to establish the SPY Pilot Program, which include: (1) the liquidity of the option and the underlying security; (2) the market capitalization of the underlying security and the securities that make up the S&P 500 Index; (3) options reporting requirements; and (4) financial requirements imposed by CBOE and the Commission. When the SPY Pilot Program was most recently renewed in July 2015, CBOE submitted a report providing an analysis of the

⁵ See Securities Exchange Act Release Nos. 67937 (September 27, 2012), 77 FR 60489 (October 3, 2012) (SR-CBOE-2012-091); 70878 (November 14, 2013), 78 FR 69737 (November 20, 2013) (SR-CBOE-2013-106); 74149 (January 27, 2015) 80 FR 5606 (February 2, 2015) (SR-CBOE-2015-008); and 75381 (July 7, 2015) 80 FR 40111 (July 13, 2015) (SR-CBOE-2015-065).

SPY Pilot Program during the period January 2014 through May 2015 (the “Pilot Report”). In the July 2015 extension, the Exchange stated that if it were to submit a proposal to either extend the SPY Pilot Program, adopt the SPY Pilot Program on a permanent basis, or terminate the SPY Pilot Program, it would submit another Pilot Report covering the period since the previous extension.⁶ Accordingly, the Exchange is submitting another Pilot Report that details CBOE’s experience with the SPY Pilot Program. The Pilot Report now includes the period of June 2015 through April 2016. The Pilot Report is attached as Exhibit 3. CBOE 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. In extending the SPY Pilot Program, the Exchange states that if CBOE were to propose another extension, permanent approval or termination of the SPY Pilot Program, the Exchange will submit another Pilot Report covering the period since the previous extension, which will be submitted at least 30 days before the end of the proposed extension. If the SPY Pilot Program is not extended or adopted on a permanent basis by July 12, 2017, position limits in SPY will revert to their Pre-Pilot levels.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the

⁶ See 80 FR at 40112.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, 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. Extending the SPY Pilot Program will give the Exchange and the Commission additional time to evaluate the pilot and its effect on the market.

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

The Exchange does not believe that the proposed rule change will 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 SPY Pilot Program to continue as the Exchange expects other SROs will propose similar extensions.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and

C. 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) of the Act⁹ and Rule 19b-4(f)(6)¹⁰ thereunder. 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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change 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-CBOE-2016-052 on the subject line.

Paper comments:

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

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

All submissions should refer to File Number SR-CBOE-2016-052. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 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-CBOE-2016-052 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.¹¹

Secretary

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 3SPY Option Position Limit Pilot Program Report

The Exchange previously established a pilot program that eliminated position and exercise limits for physically-settled options on the SPDR S&P 500 ETF (“SPY Pilot Program”).¹ Subsequently, the Exchange filed to extend the SPY Pilot Program, most recently until July 12, 2016.² In connection with extending the SPY Pilot Program, the Exchange stated that it would prepare another Pilot Report in support of a proposal to extend the SPY Pilot Program, adopt the SPY Pilot Program on a permanent basis or terminate the SPY Pilot Program. The Pilot Report would be submitted within thirty (30) days before the end of the extension and would cover the period since the previous extension. The Pilot Report would 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 options. In addition, the Pilot Report would 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 would 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 would utilize various data elements such as volume and open interest. In addition the Exchange would make available to Commission staff data elements relating to the effectiveness of the SPY Pilot Program.

While the below pilot analysis considers various data points in assessing the SPY

¹ See Securities Exchange Act Release No. 67937 (September 27, 2012), 77 FR 60489 (October 3, 2012) (SR-CBOE-2012-091).

² See Securities Exchange Act Release No. 70878 (November 14, 2013), 78 FR 69737 (November 20, 2013) (SR-CBOE-2013-106). See also Securities Exchange Act Release No. 74149 (January 27, 2015), 80 FR 5606 (February 2, 2015) (SR-CBOE-2015-008). See also Securities Exchange Act Release No. 75381 (July 7, 2015), 80 FR 40111 (July 13, 2015) (SR-CBOE-2015-065).

Pilot Program, it does not identify other market influences that may have impacted the data over time, including without limitation, overall fluctuations in market volatility and price movements in the S&P 500 Index component securities from which SPY is derived.

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 during January 2013 through December 2013 (the “Pre-Pilot period”) to monthly volume during June 2015 through April 2016 (the “Pilot period”) (see Table 1 and Table 2).³ Pre-Pilot Period over Pilot Period, average monthly volume in SPY options increased 17.9%.

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

	Pre-Pilot	Pilot
Average Monthly Volume	99,383,292	117,154,971
Average Monthly Customer ⁴ Volume	36,277,013	42,508,955
Median Monthly Volume	93,783,943	113,990,439
Median Monthly Customer Volume	33,951,894	42,642,883

³ The Exchange established the SPY Pilot Program in September 2012; however, not all self-regulatory organizations (“SROs”) had adopted similar rules eliminating position and exercise limits for SPY options when the Exchange sought to renew the SPY Pilot Program in November 2013. It was not until January 2014 that all relevant SROs adopted similar rules eliminating position and exercise limits for SPY options. For this reason, the Exchange is using the time period from January 2013 to December 2013 to assess Pre-Pilot Program activity and the time period since the previous extension of June 2015 to April 2016 to assess SPY Pilot Program activity.

⁴ Customer volume as reported by activity clearing in the customer range at The OCC.

TABLE 2: Change in SPY Options Volume Pre-Pilot vs Pilot

% Change In Average Monthly Volume Pilot vs Pre-Pilot	17.9 %
% Change in Average Monthly Customer Volume Pilot vs Pre-Pilot	17.2 %
% Change in Median Monthly Volume Pilot vs Pre-Pilot	21.5 %
% Change in Median Monthly Customer Volume Pilot vs Pre-Pilot	25.6 %

The Exchange also compared SPY options open interest during the Pilot and Pre-Pilot periods (see Table 3 and Table 4). Average daily open interest of SPY option contracts decreased by 3.8% during the Pilot period.

TABLE 3: Comparison of Daily SPY Options Open Interest Pre-Pilot vs Pilot

	Pre-Pilot	Pilot
Average Daily Open Interest	20,969,374	20,164,095
Median Daily Open Interest	20,929,733	20,014,473

TABLE 4: Change in Daily SPY Options Open Interest Pre-Pilot vs Pilot

% Change in Average Daily Open Interest Pilot vs Pre-Pilot	-3.8%
% Change in Median Daily Open Interest Pilot vs Pre-Pilot	-4.4%

To assess the impact of the SPY Pilot Program on volatility in SPY shares, the Exchange looked at the reported opening and closing prices for SPY during the Pre-Pilot and Pilot periods. Using the reported opening and closing prices, the Exchange calculated the maximum and minimum closing prices, daily close-to-close volatility and daily close-to-open volatility for SPY for each period.⁵ The Exchange then grouped the results by the first 3 trading days of each month and the 3 trading days up

⁵ Close-to-close volatility is calculated by taking the standard deviation of daily close-to-close price returns and multiplying that value by the square root of 252. Close-to-open volatility is calculated by taking the standard deviation of daily close-to-next day open price returns and multiplying that value by the square root of 252.

to and including expiration days. By comparing the different measures of price variability during the Pre-Pilot and Pilot periods for regular trading days and expiration days the data shows an overall increase in volatility during the SPY Pilot Program compared to the Pre-Pilot Period. While the data does show an increase in volatility during the Pilot Period leading up to and including expiration, volatility during expiration remained relatively low at 11.67%. The results are shown in Table 5 and Table 6 below.

TABLE 5: SPY Price Movement

	Pre-Pilot Period	Pilot Period	% Change
Max	184.69	212.78	15.21%
Min	145.55	182.86	25.63%
Volatility (close-to-close)	11.10%	17.24%	55.28%
Volatility (close-to-open)	6.50%	12.42%	91.05%

TABLE 6: Expiration Day Effects

	Pre-Pilot Period			Pilot Period		
	First 3 Days of the Month	3 Days up to Expiration	% Change	First 3 Days of the Month	3 Days up to Expiration	% Change
Volatility (close-to-close)	12.39%	13.75%	10.91%	17.72%	20.79%	17.34%
Volatility (close-to-open)	7.99%	5.80%	-27.34%	12.46%	11.67%	-6.35%

Finally, to assess the impact of the SPY Pilot Program on strategy orders traded at the Exchange, the Exchange looked at the Average Number of Complex Trades per Day and the Average Complex Volume per Day in SPY. In both instances the number of trades and volume increased by a substantive percentage, indicating that market participants

potentially found greater liquidity and improved price discovery.

TABLE 7: Strategy Orders

	Pre-Pilot Period	Pilot Period	% Change
Average Number of Trades per Day	1,094	2,230	103.8%
Median Number of Trades per Day	978	1,972	101.6%
Average Volume per Day	99,069	119,655	20.8%
Median Volume per Day	86,454	104,535	20.9%

Conclusion

The Exchange believes that there is evidence to support a continuation of the SPY Pilot Program at this time. The Exchange's study does 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 Complex Volume and SPY Complex Trades per Day during the SPY Pilot vs Pre-Pilot Period.