

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

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

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

|   |   |
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| <b>Exhibit 2 Sent As Paper Document</b> | <b>Exhibit 3 Sent As Paper Document</b> |
| <input type="checkbox"/>                | <input type="checkbox"/>                |

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed rule change to extend the SPY Pilot Program.

**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 \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  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

By

(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 - 1412616495941,

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 \***

Add Remove View

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, 2015, consistent with proposed rule changes filed by other options exchanges.<sup>1</sup> 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 December, 2014. The report was prepared in the manner specified in the filing extending the SPY Pilot Program to the current pilot end date of February 5, 2015. 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.

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<sup>1</sup> See Securities Exchange Act Release Nos. 73846 (December 16, 2014), 79 FR 76415 (December 22, 2014) (SR-MIAX-2014-64); 73847 (December 16, 2014), 79 FR 76426 (December 22, 2014) (SR-NYSEMKT-2014-106); 72142 (May 9, 2014), 79 FR 27961 (May 15, 2014) (SR-NASDAQ-2014-052); and 72143 (May 9, 2014), 79 FR 27963 (May 15, 2014) (SR-BX-2014-025).

The Exchange represents that 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 in effect at 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>2</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>3</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.

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

<sup>3</sup> 15 U.S.C. 78f(b)(5).

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>4</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 SPY Pilot Program to continue as other SROs have adopted similar provisions.

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>5</sup> and Rule 19b-4(f)(6)<sup>6</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). The proposed extension of the SPY Pilot Program is substantially similar to extensions made by other options exchanges to existing pilot programs to eliminate position and exercise limits for physically-settled SPY options.<sup>7</sup> 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

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<sup>4</sup> 15 U.S.C. 78f(b)(8).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

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

<sup>7</sup> See supra note 1.

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 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

The proposed rule change is based on the rules of several other options exchanges that have filed similar extensions to their respective SPY Pilot Programs.<sup>8</sup>

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.

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<sup>8</sup> See supra note 1.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-ISE-2015-05)

[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 February 4, 2015 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, 2015, consistent with proposed rule changes filed by other options exchanges.<sup>3</sup> 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 December, 2014. The report was prepared in the manner specified in the filing extending the SPY Pilot Program to the current pilot end date of February 5, 2015. The Exchange notes that it is unaware of any problems

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<sup>3</sup> See Securities Exchange Act Release Nos. 73846 (December 16, 2014), 79 FR 76415 (December 22, 2014) (SR-MIAX-2014-64); 73847 (December 16, 2014), 79 FR 76426 (December 22, 2014) (SR-NYSEMKT-2014-106); 72142 (May 9, 2014), 79 FR 27961 (May 15, 2014) (SR-NASDAQ-2014-052); and 72143 (May 9, 2014), 79 FR 27963 (May 15, 2014) (SR-BX-2014-025).



created by the SPY Pilot Program and does not foresee any as a result of the proposed extension.

The Exchange represents that 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 in effect at 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>4</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>5</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>6</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 SPY Pilot Program to continue as other SROs have adopted similar provisions.

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

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

<sup>6</sup> 15 U.S.C. 78f(b)(8).

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>7</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>8</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.

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:

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

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-2015-05 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-2015-05. 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-2015-05 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>9</sup>

Secretary

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<sup>9</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”) is one of the most recognizable and actively traded Exchange Traded Funds (“ETFs”). The fund has a Total Net Asset Value of more than \$200B and trades nearly 140M shares daily, making it the largest ETF by assets and by volume.<sup>1</sup> The International Securities Exchange, LLC and ISE Gemini, LLC have eliminated position and exercise limits for physically-settled options on the SPY pursuant to a pilot set to end on February 5, 2015 (the “SPY Pilot Program”). The Exchanges are submitting this Pilot Report 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

SPY is consistently the most actively traded multi-listed option product in the industry, and accounted for approximately 14.3% of industry option volume from January 2014 through December 2014 (the “Pilot period”). This volume was similar to that executed from January 2013 through December 2013 (the “Pre-Pilot period”), when SPY options represented 14.5% of industry option volume. The difference between the total industry option volume in SPY for the Pre-Pilot and Pilot Periods was less than 1% as is shown in Table A below. Similar results were found when analyzing the average and median volumes in SPY. A more noticeable difference (likely attributable to a slight increase in volatility) was found between monthly maximum and minimum average daily volumes over the two periods.

*Industry Option Volume Totals in SPY – Table A*

| Measurement    | Pre-Pilot Period | Pilot Period | Pct. Difference |
|----------------|------------------|--------------|-----------------|
| Total          | 596,304,426      | 600,545,085  | 0.71%           |
| Monthly ADV    | 2,368,098        | 2,403,299    | 1.49%           |
| Monthly Median | 2,385,652        | 2,300,534    | -3.57%          |
| Monthly Max    | 3,159,993        | 3,941,836    | 24.74%          |
| Monthly Min    | 1,869,059        | 1,992,865    | 6.62%           |

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

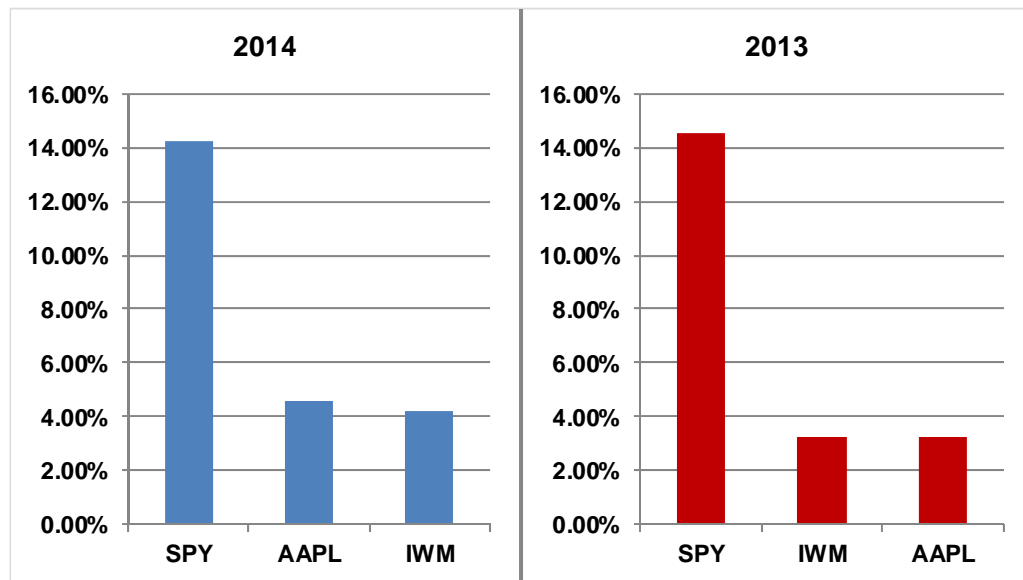
The Exchanges also compared SPY volumes between the two review periods on expiration, when volumes tend to be higher. In doing so, the Exchanges found that average monthly and median volumes on expiration, displayed in Table B, decreased slightly between the Pre-Pilot and Pilot Periods.

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

| Measurement | Pre-Pilot Period | Pilot Period | Pct. Difference |
|-------------|------------------|--------------|-----------------|
| ADV         | 3,359,292        | 3,253,304    | -3.16%          |
| Median      | 3,202,552        | 2,865,918    | -10.51%         |
| Max         | 5,300,090        | 5,290,920    | -0.17%          |
| Min         | 2,215,841        | 2,302,806    | 3.92%           |

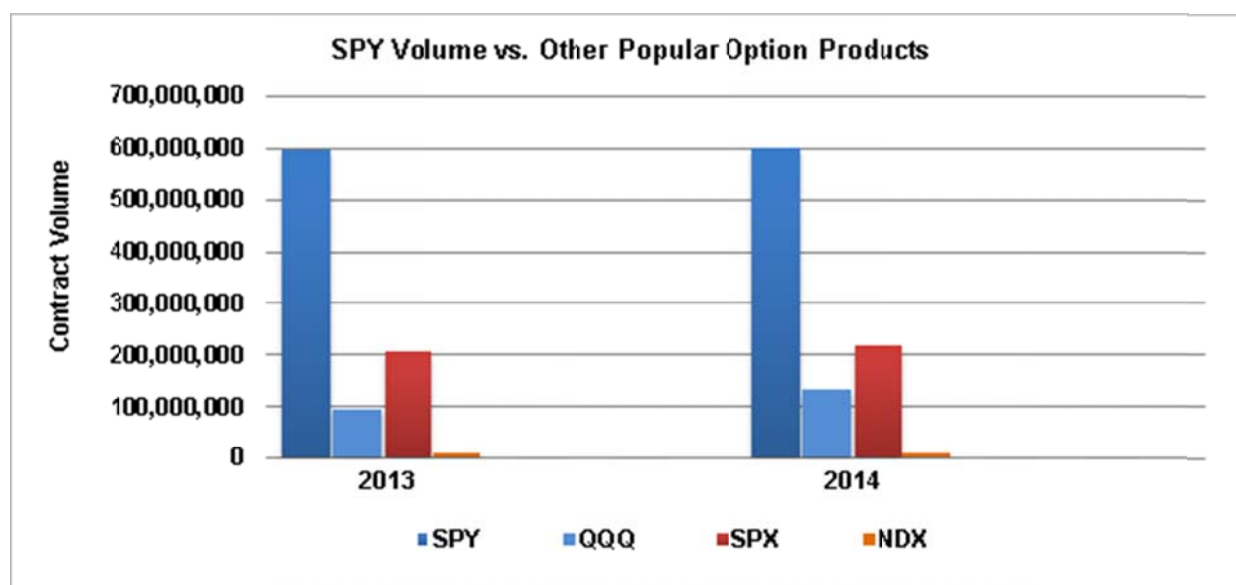
By comparison, the next most active multi-listed option products only represented between 3% and 4% of the total industry volume during the two periods of review. Chart A below shows SPY option volume in 2014 and 2013 compared to volume in the next most active multi-listed option products.

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



Options exchanges had already increased SPY position limits to 900,000 contracts prior to the SPY Pilot Program, a level well above the highest level allowed for most other options products under exchange rules. The PowerShares QQQ Trust, Series 1 (“QQQ”) currently has a position limit of 900,000 contracts, though it is not nearly as active as SPY. The S&P 500 Index (“SPX”), and Nasdaq 100 Index (“NDX”), which are also not nearly as active as SPY, do not carry position limits. SPY volumes are shown in Chart B below relative to volumes in QQQ, SPX, and NDX.

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



## 2. Open Interest

With respect to open interest in SPY options between the Pre-Pilot and Pilot Periods, the Exchanges found only a small difference in the totals of about 2.0M contracts as shown in Table C below. Maximum and minimum values also decreased between the two periods.

*Open Interest<sup>1</sup> in SPY Options on Expiration – Table C*

| Measurement | Pre-Pilot Period | Pilot Period | Pct. Difference |
|-------------|------------------|--------------|-----------------|
| Average     | 22,915,809       | 20,826,145   | -9.12%          |
| Median      | 22,616,230       | 20,240,451   | -10.50%         |
| Max         | 26,809,327       | 26,716,338   | -0.35%          |
| Min         | 21,177,622       | 17,388,435   | -17.89%         |

<sup>1</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

Volatility in the underlying stock price of SPY was also consistent between the Pre-Pilot and Pilot Periods as the analysis found negligible differences.

*Price Volatility of SPY Underlying Stock<sup>2</sup> – Table C*

| Pre-Pilot Period | Pilot Period | Pct Difference |
|------------------|--------------|----------------|
| 0.7075           | 0.7002       | -1.03%         |

<sup>2</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)

### B. Trading Behavior and Exchange Issues

There were no noticeable changes to member trading with relation to size or strategy following the elimination of position limits in SPY. Also no problems were observed nor reported as a result of the elimination of SPY position limits.

### C. Conclusion

As identified in the data provided, there were no undesirable consequences associated with the SPY Pilot Program. Option volume and open interest in SPY remained consistent over the Pilot and Pre-Pilot Periods. In addition, there was no significant increase in volatility in the SPY underlying stock price. The Exchanges thus believe that a continuation of the SPY Pilot Program is warranted at this time.

## 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 [February 5] July 12, 2015.

\* \* \*

**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 [February 5] July 12, 2015.

\* \* \*