

Exhibit 3Report In Support of Extending the SPY Position Limit Pilot Program

The Exchange received approval to adopt unlimited position and exercise limits for options on the SPDR® S&P 500® ETF (“SPY”) as part of a pilot program (“Pilot”).¹ Subsequently, the Exchange filed to extend the Pilot, originally scheduled to end on December 5, 2013, until February 5, 2015.² As part of the Pilot, the Exchange stated, “that if it were to propose an extension, permanent approval or termination of the program, the Exchange would submit, along with any filing proposing such amendments to the program, a report providing an analysis of the SPY Pilot Program covering the first twelve (12) months during which the SPY Pilot Program was in effect (the “Pilot Report”).”³ Further, the Exchange stated, “The Pilot Report will detail the size and different types of strategies employed with respect to positions established as a result of the elimination of position limits in SPY. In addition, the Pilot Report will note whether any problems resulted due to the no limit approach and any other information that may be useful in evaluating the effectiveness of the pilot program. The Pilot Report will compare the impact of the pilot program, if any, on the volumes of SPY options and the volatility in the price of the underlying SPY shares, particularly at expiration. In preparing the report the Exchange will utilize various data elements such as volume and open interest.”⁴

Impact on SPY volumes and volatility

To assess the impact of the Pilot on SPY volumes, the Exchange compared SPY monthly volume and open interest during January 2013 to December 2013 (the “Pre-Pilot period”) to monthly volume and open interest during January 2014 to October of 2014 (the “Pilot period”) (see Table 1). Additionally the Exchange examined S&P 500 cash index (“SPX”) monthly volumes and open interest during the same time periods. In comparing median and average monthly volume of SPY and SPX during the Pre-Pilot

¹ See Exchange Act Release No. 68001 (Oct. 5, 2012), 77 FR 62303 (Oct. 12, 2012) (SR-NYSEArca-2012-112)

² See Exchange Act Release No. 70968 (Dec. 3, 2013), 78 FR 73899 (Dec. 9, 2013) (SR-NYSEArca-2013-130).

³ Id.

⁴ See Exchange Act Release No. 70968, supra note 2.

and Pilot periods, SPY volumes increased, as measured by median monthly customer volumes, or increased less, as measured by both median and average monthly volumes, during the Pilot, as compared to SPX volumes .⁵

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

TABLE 1: Comparison of SPX and SPY Options Volume		
	SPY	SPX
Average Monthly Volume Pre-Pilot	99,384,071	34,581,490
Average Monthly Volume Pilot	103,335,422	37,363,034
Average Monthly Customer Volume Pre-Pilot ¹	36,277,165	12,558,874
Average Monthly Customer Volume Pilot ¹	37,473,700	13,064,954
Median Monthly Volume Pre-Pilot	93,784,130	33,354,738
Median Monthly Volume Pilot	96,840,490	35,370,954
Median Monthly Customer Volume Pre-Pilot ¹	33,354,738	12,295,442
Median Monthly Customer Volume Pilot ¹	35,370,954	12,417,331
% Change In Average Monthly Volume Pilot vs Pre-Pilot	4%	8%
% Change in Average Monthly Customer Volume Pilot vs Pre-Pilot ¹	3%	4%
% Change in Median Monthly Volume Pilot vs Pre-Pilot	3%	6%
% Change in Median Monthly Customer Volume Pilot vs Pre-Pilot ¹	6%	1%

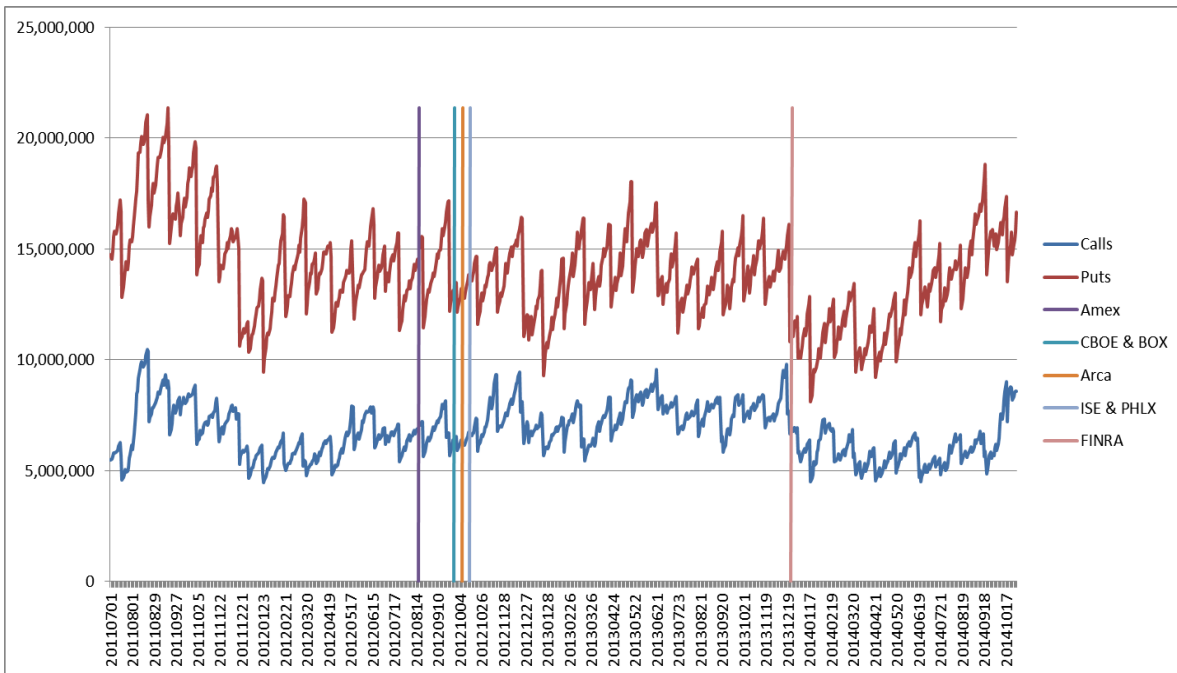
¹ Customer volume as reported by activity clearing in the customer range at the Options

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

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TABLE 2: Comparison of SPX and SPY Options Open Interest	SPY	SPX
Average Open Interest Pre-Pilot	20,712,064	11,465,990
Average Open Interest Pilot	18,286,432	10,600,030
Median Open Interest Pre-Pilot	20,691,166	11,719,178
Median Open Interest Pilot	17,883,693	10,806,835
% Change in Average Open Interest Pilot vs Pre-Pilot	-12%	-8%
% Change in Median Open Interest Pilot vs Pre-Pilot	-14%	-8%

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



To assess the impact of the Pilot on volatility in SPY shares, the Exchange looked at the reported opening and closing prices for both SPY and SPX during the Pre-Pilot and Pilot periods. Using the opening and closing price reported, the Exchange calculated the

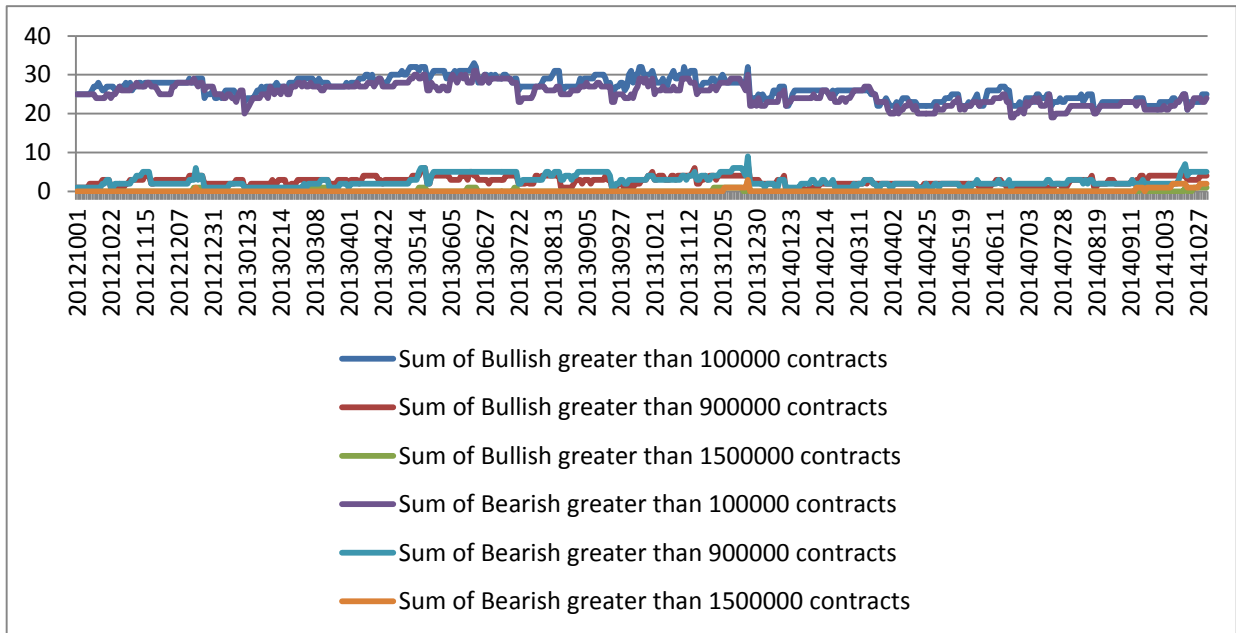
variance for both SPY and SPX for each day.⁶ The Exchange then grouped the results by regular trading days and expiration days.⁷ By comparing the average and median variance for both SPY and SPX during the Pre-Pilot and Pilot for regular trading days and expiration days the Exchange was able to ascertain that there was no discernible impact on volatility as a result of the Pilot. The results are shown in Table 3 below.

TABLE 3: Variance of S&P 500 Index vs SPY on regular trading days and expiration days			
	S&P 500 Index	SPY	SPX vs SPY
Average Variance Pre-Pilot Regular Trading Day	0.000047	0.000033	0.000014
Average Variance Pre-Pilot Expiration Day	0.000032	0.000022	0.000010
Average Variance Pilot Regular Trading Day	0.000046	0.000038	0.000008
Average Variance Pilot Expiration Day	0.000042	0.000030	0.000013
Median Variance Pre-Pilot Regular Trading Day	0.000016	0.000010	0.000006
Median Variance Pre-Pilot Expiration Day	0.000015	0.000009	0.000006
Median Variance Pilot Regular Trading Day	0.000016	0.000010	0.000006
Median Variance Pilot Expiration Day	0.000013	0.000009	0.000004
Change in Average Variance Pilot vs Pre-Pilot Regular Day	(0.000001)	0.000005	(0.000007)
Change in Average Variance Pilot vs Pre-Pilot Expiration Day	0.000010	0.000008	0.000002
Change in Median Variance Pilot vs Pre-Pilot Regular Day	(0.000000)	0.000001	(0.000001)
Change in Median Variance Pilot vs Pre-Pilot Expiration Day	(0.000002)	0.000001	(0.000002)

⁶ Variance is calculated using this formula $(\text{Closing Price} - \text{Opening Price}) / (\text{Opening Price})^2$

⁷ An expiration day is defined as any Friday, except for those that are exchange holidays in which case expiration day is Thursday. As both SPY and SPX have weekly expirations, the Exchange believes it is appropriate to consider any Friday an expiration day.

Lastly, the Exchange looked at bullish and bearish positions, as required under Exchange Rule 6.6 – Reporting of Option Positions. The chart below highlights the trend for bullish positions and bearish positions that exceed 100,000 contracts, 900,000 contracts and 1,500,000 contracts beginning in October 2012. There is no discernible trend evidenced.



Conclusions

The Exchange's study described above, does not reveal that the Pilot resulted in any adverse consequences in terms of increased volatility, changes in open interest, or increases in large bullish or large bearish positions. With respect to volume, the Pilot has potentially proven to be beneficial to those participants who clear in the customer range at OCC, as the increase in SPY customer volume during the Pilot has been greater than the increase in SPX customer volume as compared to the Pre-Pilot period.

The Exchange believes that there is ample evidence to support a continuation of the Pilot at this time and it intends to submit a filing to make the Pilot permanent.