

EXHIBIT 3SPY Option Position Limit Pilot Program Report

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 November 27, 2013, to first January 27, 2015² and more recently to July 12, 2016.³ As part of both Pilot extensions, 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 period since the previous extension (the “Pilot Report”).”⁴ 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.”⁵

Impact on SPY Volumes and Volatility

¹ See Securities Exchange Act Release No. 67936 (September 27, 2012), 77 FR 60491 (October 3, 2012) (Notice of Filing and Immediate Effectiveness of SR-BOX-2012-013).

² See Securities Exchange Act Release No. 70970 (December 3, 2013), 78 FR 73911 (December 9, 2013) (Notice of Filing and Immediate Effectiveness of SR-BOX-2013-53).

³ See Securities Exchange Act Release No. 75410 (July 9, 2015), 80 FR 41540 (July 15, 2015) (Notice of Filing and Immediate Effectiveness of SR-BOX-2015-25).

⁴ Id.

⁵ See supra note 2.

To assess the impact of the SPY Pilot Program on SPY option volumes, the Exchange compared SPY option monthly volume and open interest during January 2013 to December 2013 (the “Pre-Pilot period”) to SPY option monthly volume and monthly interest during June 2016 through April 2017 (the “extended Pilot period”) (see Table 1). Year-over-year, SPY volumes increased, as measured by average and median monthly volume, and average and median customer volume.⁶

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

	SPY
Average Monthly Volume Pre-Pilot	810,405
Average Monthly Volume Extended Pilot	1,028,034
Average Monthly Customer Volume Pre-Pilot	615,465
Average Monthly Customer Volume Extended Pilot	922,380
Median Monthly Volume Pre-Pilot	777,289
Median Monthly Volume Extended Pilot	1,049,766
Median Monthly Customer Volume Pre-Pilot ¹	589,465
Median Monthly Customer Volume Extended Pilot ¹	927,114
% Change In Average Monthly Volume Pilot vs Pre-Pilot	21%
% Change in Average Monthly Customer Volume Extended Pilot vs Pre-Pilot ¹	33%
% Change in Median Monthly Volume Extended Pilot vs Pre-Pilot	26%
% Change in Median Monthly Customer Volume Extended Pilot vs Pre-Pilot ¹	36%

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

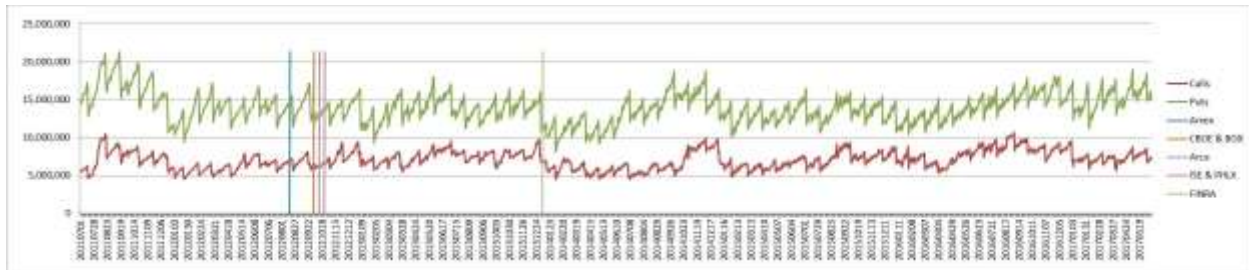
⁶ The Exchange notes that while it received approval to adopt unlimited position and exercise limits in October 2012, it was not until January 2014 that all relevant SRO’s adopted unlimited position and exercise limits for SPY. For this reason, the Exchange is using the time period from January 2013 to December 2013 to assess Pre-Pilot activity and the time period from June 2016 to April 2017 to assess Extended Pilot activity.

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

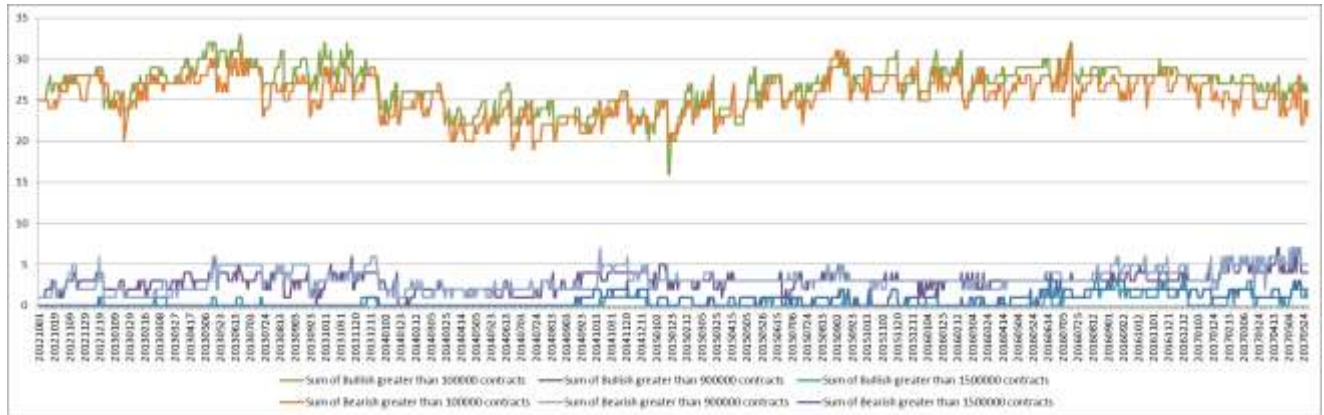
TABLE 2: Comparison SPY Options Open Interest Pre-Pilot vs. Pilot

	Pre-Pilot	Pilot
Average Daily Open Interest	20,969,374	23,059,608
Median Daily Open Interest	20,929,733	23,103,587

In addition, the chart below shows open interest over the past five years and marks 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.



Lastly, the Exchange looked at bullish and bearish positions, as required under BOX Rule 3120 (Position Limits). 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.



Conclusion

The Exchange believes that there is evidence to support a continuation of the SPY Pilot Program at this time. The Exchange’s study did 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 volume during the extended SPY Pilot when compared to the Pre-Pilot Period.