

# Opening Auction

## Overview

Designated Market Makers (DMMs) are at the center of NYSE Amex equities market and are the only participants who have true obligations for maintaining a fair and orderly market in assigned securities. They are required to quote at the National Best Bid or Offer a specified percentage of the time, and to facilitate price discovery during market openings, closings and periods of substantial trading imbalances and high volatility. This “high touch” approach during moments of market dislocation is important for price and liquidity discovery, dampening volatility, and enhancing value.

DMMs conduct the NYSE Amex equities opening auction in over 750 listed securities every trading day starting at 9:30 AM EST. Securities that have resting orders on the book are opened automatically on a trade if they meet certain criteria. Otherwise they are opened automatically on a quote if they meet certain validations. Although the majority of our securities are opened using these two methods, there are instances where volatile market conditions require the DMM in a particular security to provide “high touch” order handling. In these instances, auction market principles unique to the NYSE and NYSE Amex markets are used to determine the market clearing price to open the security. The DMMs ensure that specialty stocks open as close to the 9:30 AM opening bell as possible, in a fair and orderly manner.

## Facts About the NYSE Amex Equities Opening Auction\*

- Opening market share: 70%
- Average volume at open: 1M shares
- Median opening trade size: 2,400 shares
- Opening slippage vs. 10 min VWAP: \$0.0035
- Average number of securities opening automatically on a trade: 241

\* As of February 2009

### Primary Market

As the primary market in NYSE Amex listed companies and Closed-End Funds, we provide unparalleled liquidity around the open. Our DMMs maintain close relationships with issuers and use professional assessment of market conditions as well as the balance of supply and demand from orders on the book and crowd interest in determining the opening price. We make it as easy and economical as possible for investors and indexers that mark to the primary market to participate in the NYSE Amex opening auction.

### Timeliness of the Open

At NYSE Amex over 70% of our stocks open at 9:30 AM, and 80% open within the first minute. The other 20% our competition frequently calls ‘clearly erroneous’ transactions on their markets. Here at the NYSE Amex, we’d rather have our DMMs spend a little more time on them.

### Market Quality Around the Open

Due to the robustness of NYSE Amex opening, our opening volumes are typically the largest in our listed securities. NYSE Amex slippage at the open is less than  $\frac{1}{8}$  of the competition in the same issues. NYSE Amex maintains the highest quality market for the open as measured by fill rates, price slippage, opening size, and price improvement. Given that opening volume is important in determining market impact at the open, it is impressive that NYSE Amex has the highest volume at the open and the lowest market impact as measured by price deviation from the 10 min VWAP.

### No Transaction Fee for the Opening Auction

At zero NYSE Amex provides the most economical opening auction for its listed securities.

## NYSE Amex Equities Opening Process

- From 7:30 AM, At-the-Open orders and regular orders are accepted electronically into NYSE Amex systems and at the DMM post through Floor Brokers.
- NYSE Amex DMMs may publish Rule 15 Pre-Opening Indications if the DMM anticipates an opening with a price difference from the previous day's closing price by more than an applicable price change, to solicit contra side interest.
- NYSE Amex DMMs are required to publish Rule 123D Mandatory Indication if the DMM anticipates a delayed opening or anticipates an opening at a price that is greater than a specified amount from the previous day's closing price. Approval from a Floor Official is required.
- At 8:30 AM, NYSE Amex begins to distribute order imbalance information through the Open Book feed. This is done in real time at specified intervals. Order imbalances are disseminated every five minutes between 8:30 and 9:00 AM. They are disseminated every minute between 9:00 AM and 9:20 AM, and every 15 seconds between 9:20 and 9:35 AM.
- At 9:30 AM, NYSE Amex may open an issue automatically with a quote or trade, or manually by the DMM. If the market is opened on a quote, the quote must be reasonable in relation to the market.

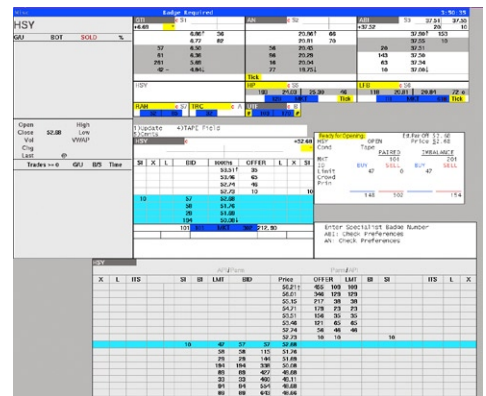
## Establishing the Opening Price

- At an opening, the DMM determines a proposed opening price that will provide a market clearing event (i.e., maximum number of orders are executed with the minimum price impact).
- At an opening, all market orders have precedence over limit orders and are executed at the opening price. All limit orders priced better than the proposed opening price are treated as market orders and included in the open.
- At the opening, limit orders priced at the proposed opening price of the stock are handled according to the NYSE Amex parity and priority rules.
- These provisions also apply to a reopening after a halt in trading.

## Reporting the Opening Transaction

- NYSE Amex reports opening transactions Regular way to the consolidated Tape B.

*To benefit from the new and improved NYSE Amex equities opening auction, contact your NYSE relationship manager today.*



NYSE Display Book showing the Opening Window.

For more information, please contact

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