

Designated Market Makers



Market structure with the following benefits:

- Transparency
- Low latency
- DMM affirmative obligations
- Price improvement
- Deep liquidity
- Competitive pricing/quoting

Unique Market Model

Only NYSE and NYSE Amex equities markets offer a unique combination of high-tech automation for low latency and complete anonymity as well as high-touch participation by market professionals for orderly opens and closes, lower volatility, deeper liquidity and price improvement opportunities throughout the trading day.

Designated Market Makers

As part of an initiative to further enhance the performance, quality and competitiveness of NYSE and NYSE Amex markets, the role of the “Designated Market Maker” (DMM) succeeded the “Specialist”.

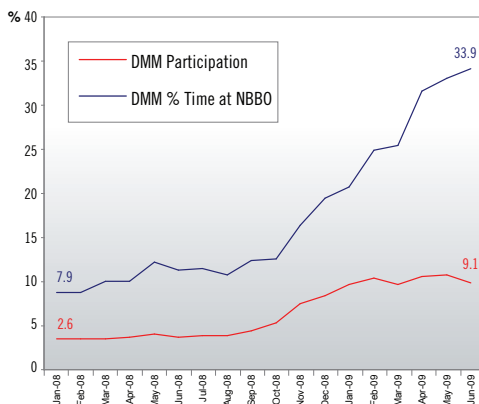
The NYSE features both a physical auction managed by DMMs and a completely automated auction that includes algorithmic quotes from DMMs and other market participants. DMMs:

- Have true obligations to maintain a fair and orderly market in their stocks, quote at the NBBO a specified percentage of the time, and facilitate price discovery throughout the day as well as at the open, close and in periods of significant imbalances and high volatility;

- Provide price improvement and match incoming orders based on a pre-programmed Capital Commitment Schedule, which has been added to the NYSE Display Book, minimizing order latency. DMMs and their algorithms do not receive a “look” at incoming orders. This ensures that an intermediary does not see orders first, and that DMMs compete as a market participant;
- Are on parity with quotes from floor brokers and those on the Display Book, encouraging DMM participation and higher market quality.

This “high touch” approach is important for discovering and improving prices, dampening volatility, adding liquidity and enhancing value.

DMM Activity



Comparison of Specialist vs. DMM

	Specialist (Old)	DMM (New)
Trading Responsibility	Agency responsibility, visibility to all incoming orders	Market maker with quoting obligation, no advanced “look”
Priority	Yield on all orders	Parity
Obligations	Affirmative and negative obligations, open, close	Affirmative obligations, open, close
Technology	S-quotes, SAPI	Addition of Capital Commitment Schedule (CCS)
Economics	Economic incentive	Economic incentive tied to providing liquidity