

Parity & Priority



The unique NYSE parity and priority model facilitates the execution of trades for all competing orders at the same price point.

Parity, a Unique Tool for Allocation of Liquidity

The NYSE and NYSE Amex are the only US exchanges that offer parity allocation of liquidity to customer orders, which enables competing orders at the same price point to share executions. The parity model enables orders from multiple Floor Brokers, DMMs and orders at the top of the Electronic Book to trade together, according to the priority model described below. In contrast, exchanges operating on a price time priority basis do not allow any parity allocation, with the orders at each price point instead filled in time-stamp order.

How Parity Works:

- Each group (Floor Brokers, DMMs, and the Electronic Book) is always on parity; with the exception of floor clearing events.
- Within the parity model there is a priority wheel which facilitates the allocation of small prints
- Brokers and DMMs are only eligible for parity using e-Quote and s-Quote orders
- Parity split is allocated systemically by the NYSE DBK
- Reserve orders are only on parity with other reserve orders

Priority

In addition to the unique parity model, the NYSE market model also rewards participants who set the best bid or offer by giving those participants priority over the other interest at the same price. This rewards traders whose orders set the NYSE BBO.

How Priority Works:

- The setter of the best quote receives 15% of each print, plus a parity share until the displayed portion of the order is completed.
- All 100 share prints go to the priority holder.
- No mixed lots are allocated
- NYSE Best Bid/Offer must be established to qualify for priority, absent which all parties on parity have equal priority
- Once priority is established the best quote setter never loses priority until the order is completed or cancelled.
- Only the displayed portion of the order is eligible for priority
- The setter of the best quote may only receive priority allocation and not parity allocation if they were not eligible in the time/price wheel

Priority Example:

- The NBBO is 5.28 X 5.31 10X10
The NYSE BBO is 5.27 X 5.32 10X10
- DOT Order #1 is entered to S 2000 at 5.30
- After DOT order #1 sets a new NBBO and BBO on NYSE, then:
 - Broker #1 enters S 2000 at 5.30
 - DMM enters S 2000 at 5.30
 - DOT Order #2 enters S 2000 at 5.30
- A DOT order is entered on the NYSE to B 3900 at 5.30
- Allocation of execution:
 - DOT order #1 sells 1700 shares (600 shares priority share and 1100 shares parity share), leaves 300 shares
 - Broker #1 sells 1100 shares, leaves 900 shares
 - DMM sells 1100 shares, leaves 900 shares
 - DOT order #2 receives no allocation until DOT Order #1 is complete or cancels

With Priority (15% of the incoming order, rounded up to the next round lot), DOT order #1 which established setting interest at 5.30 on the NYSE sold 1700 shares or 55% more than the order that joined the offer after DOT order #1 established the new NBBO at 5.30.

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