

Chapter 9: Priority, Parity, Yielding

Priority, parity, yielding (PPY) is an informal way to describe NYSE rules and regulations governing the handling, allocation, and sequencing of order executions among multiple participants. One of the design features of the Hybrid Market is the automation of PPY rules and regulations into the Display Book. As a result, the allocation of executions is done systematically, ensuring compliance with existing PPY rules and regulations as well as providing a more robust audit trail for analysis and tracking by Market Surveillance.

What is priority?

- Price/Time priority is given to the first bid (offer) to arrive at a price and is entitled to as much of the first bid (offer) at that price as exists. Bids and offers are ranked in price priority highest bid and lowest offer. Within each by price, the bid (offer) that arrived first has time priority. If the priority bid is not filled by the first offer, at that price then it loses its priority claim.

What is parity?

- Parity exists between or among agents (i.e., DOT orders, floor brokers, and specialist acting as principal) and there is an equality of bids/offers at a given price except as described below.

What is yielding?

- A specialist acting as principal is not allowed to trade ahead of orders for which they are acting as agent – she or he is not allowed to trade ahead of DOT orders on the Display Book. As a result, the specialist yields to any DOT order(s) that exist at the same or better price.

What is a floor-clearing event?

- Certain events clear all of the priority claims and result in all interest at that price being on parity. Examples of floor-clearing events are executions at or through the quote price; full cancellations of the priority bid/offer; and cancel/replacements of the priority bid/offer. A floor-clearing event does not affect the specialist's requirement to yield to the Book.

How does PPY work?

- The first agent to establish a bid/offer has priority for the first trade or until the first floor-clearing event occurs. Afterward, parity exists at that price.

What is the impact of the Hybrid Market on PPY rules?

Certain new features within the Hybrid Market are addressed by PPY rules and regulations as outlined below:

- Quoted interest goes ahead of non-quoted interest (e.g., reserve e-Quote).
- DOT orders, e-Quotes, and d-Quotes are on parity after priority has been broken.
- Specialist s-Quotes yield to DOT orders. Certain manually entered specialist interest (e.g., PRIN quantity) yields to all interest, including reserve e-Quotes.
- e-Quotes, d-Quotes and s-Quotes are on parity after priority has been broken and DOT orders are satisfied.

Example of PPY

Price	Offer	DOT	e-Quote	s-Quote
20.09	70	20	30	20
20.08	120	80	30	10
20.07	100	50	30	20

The NYSE offer is 20.07 at 10,000, which is comprised of 5,000 shares from DOT, 3,000 shares in e-Quotes and 2,000 shares in s-Quotes. Included within the DOT offer is an order for 3,000 shares for 20.07 which was the first to arrive and therefore has priority.

A market order to buy 5,000 shares at 20.07 is followed by another market order to buy 5,000 shares at 20.07.

The first print will be 5,000 shares at 20.07 that is broken down as follows: 3,000 shares to the DOT order that had priority and the remaining 2,000 shares is split equally between DOT orders and the e-Quotes who are on parity. In this trade, the specialist s-Quote yields.

Price	Offer	DOT	e-Quote	s-Quote
20.09	70	20	30	20
20.08	120	80	30	10
20.07	50	10	20	20

The second print will be 5,000 shares at 20.07 that is broken down as follows: the remaining DOT 1,000 shares, and e-Quote 2,000 shares as well as 2,000 shares from the s-Quote