A Snapshot of U.S. Equity Markets Today

The U.S. equities marketplace is the largest, most competitive and complex in the world. While its function has remained the same, it has dramatically transformed over the past two decades. Learn how these changes impact listed companies and U.S. investors.

**The New York Stock Exchange (NYSE)** is the primary U.S. public exchange trading the bulk of the shares of publicly traded companies, and the balance traded by regional exchanges.

**Nasdaq** begins trading.

**Regulations** allow for new trading venues – alternative trading systems (ATSs) – (known as dark pools) operated by broker-dealers that compete with exchanges.

**Regulation National Market System (NMS)** introduces rules to promote even greater competition by requiring all trading venues to route to the best displayed prices.

Today, the U.S. has 13 licensed equity exchanges (such as NYSE, Nasdaq, Cboe and IEX) and about 50 alternative trading venues, which account for nearly 40% of trading.

**Benefits of U.S. Market Structure**

- Among the most diverse and resilient in the world, with investors not needing to rely on a single exchange or other trading venue.
- Investment professionals and retail investors benefit from lower cost transactions due to innovation and efficient pricing – the result of greater competition.

**Costs**

- Technology, connectivity and market data costs have risen for investment professionals to facilitate trading to all the disparate trading venues.
- Order flow is fractured across the licensed exchange groups (60% of trading) and the 50+ alternative trading systems (40% of trading).

To ensure the U.S. remains the envy of the world, the regulatory framework should seek to maintain:

- An **Efficient** marketplace that minimizes bid-ask spreads (the difference between the highest price a buyer is willing to pay, and the lowest price a seller is willing to accept) and supports better pricing for retail investors.
- A **Transparent** marketplace that ensures investors and their advisor have a clear and unbiased view of the market, and where their trades are executed and who profits from them.
- A **Liquid** marketplace that encourages displayed quoting on regulated exchanges where price discovery takes place.

**The Role of Public Exchanges**

Licensed exchanges – like the NYSE and Nasdaq – are the backbone of our equity markets. They provide public companies with access to capital. Investors benefit from highly regulated markets with efficient, transparent prices. Exchanges also provide the quotes and prices that the entire market relies upon. This includes broker dealers which use the prices formed on exchanges to internalize their clients’ orders and facilitate trading in their dark pools.

**NYSE’s Key Functions:**

- Provide an efficient, transparent, liquid marketplace with a robust displayed quote
- Act as advocates for their listed companies and the investment community – and balance the needs of both, without any undue influence from stakeholders with vested interests
- Facilitate the daily Opening and Closing Auctions
- Deliver an effective regulatory framework for both listing and secondary trading

**Guiding Principles to Preserve Integrity of Market Structure**

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- A liquid marketplace that encourages displayed quoting on regulated exchanges where price discovery takes place.

**The Regulatory Framework**

Exchanges and ATS/dark pools operate under different regulatory frameworks.

<table>
<thead>
<tr>
<th>Exchanges</th>
<th>ATS/Dark Pools</th>
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<tbody>
<tr>
<td>Highly regulated with SEC oversight to maintain fair, orderly and efficient markets.</td>
<td>NO</td>
</tr>
<tr>
<td>Order data is transparent and readily available in real time.</td>
<td>YES</td>
</tr>
<tr>
<td>Transparent pricing and publicly available commercial terms.</td>
<td>NO</td>
</tr>
</tbody>
</table>

**Benefits of U.S. Market Structure**

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