NYSE 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

NYSE is the only U.S. cash equities exchange that offers parity allocation of all trades, which enables multiple orders at the same price point to share executions. The parity model enables orders from multiple Floor Brokers, Designated Market Makers (DMMs), and orders in the Electronic Book to each participate in a trade, as well as receive a priority allocation as described below. In contrast, exchanges operating on a price-time priority basis allocate trades to orders that arrive first in time at each price point.

How parity works:

- At each price level, the Electronic Book, the DMM and each Floor Broker are eligible to participate in an execution on a parity basis.
- NYSE matching engines enforce the parity allocation, including that at each price point, displayed orders are allocated on parity before non-displayed orders at that price.

Benefits of parity:

- Levels the playing field by allowing institutional and retail investors, when trading through a Floor Broker, to share executions at the same price as the most sophisticated market participants
- Order #1, as the price setter, receives full allocation of 1,000 shares based on priority share allocation
- Encourages displayed interest from DMMs and broad participation from all customer segments
- Results in deep liquidity and superior market quality

Setting priority

In addition to the unique parity model, the NYSE market model also rewards participants that establish the National Best Bid or Offer on the Exchange by giving those participants priority over the other interest at the same price.

How setting priority works:

Prior to any parity allocations, the setter of the NBBO receives a full allocation of arriving interest until the setter's order is filled. If there is no single setter of the NBBO, orders are allocated on parity without any setter priority allocation.

Example

1. Order #1 is entered in the Electronic Book to sell 1,000 shares at $5.30. This establishes the new National Best Offer
2. Floor Broker #1 enters an order on behalf of an institutional investor to sell 1,000 shares at $5.30
3. DMM enters an order to sell 1,000 at $5.30
4. Order #2 is entered in the Electronic Book to sell 1,000 shares at $5.30
5. Order #3 to buy 1,900 shares "at the market"

Allocation of execution

Order #3 to buy is executed against the resting sell orders as follows:

- Order #1, as the price setter, receives full allocation of 1,000 shares based on priority share allocation
- Remaining 900 shares of the buy order allocated on parity and is split equally:
    - Floor Broker #1 sells 300 shares, leaves 700 shares unexecuted
    - DMM sells 300 shares, leaves 700 shares unexecuted
    - Order #2 sells 300 shares, leaves 700 shares unexecuted

Further information:
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