

DMMs

DESIGNATED MARKET MAKERS

IMPROVING LIQUIDITY & MARKET QUALITY

- **DMMs are core liquidity providers** – DMMs are dedicated market makers that provide liquidity in a given NYSE security by assuming risk and displaying quotes in the exchange limit order book. In 2019, DMMs accounted for about 17% of liquidity adding volume in NYSE-listed securities, on average.
- **DMMs reduce volatility** – DMMs provide price stability by satisfying market demand for a security at competitive prices. If investors are selling, DMMs are typically buying, and vice versa.
- **DMMs improve price discovery at the open and close** – NYSE's opening and closing auctions are the largest single volume events of the trading day. DMMs contribute capital in the auctions to satisfy market demand, and provide human judgment and communication. Volatility is typically the highest during the first hour of trading as participants digest overnight news. DMMs help to establish the right opening price to minimize early-morning volatility.
- **DMMs reduce trading costs for investors** – DMMs enhance market liquidity and reduce quoted spreads.
- **DMMs have much higher trading obligations than traditional market makers** – The table below provides a summary of DMM affirmative obligations under our rules and NYSE-funded liquidity provider incentives to encourage greater quoting and liquidity. For example, unique *DMM depth guidelines* on the NYSE require them to dynamically add liquidity to the order book when there is not sufficient public liquidity. These depth guidelines are customized by security and change with every trade.

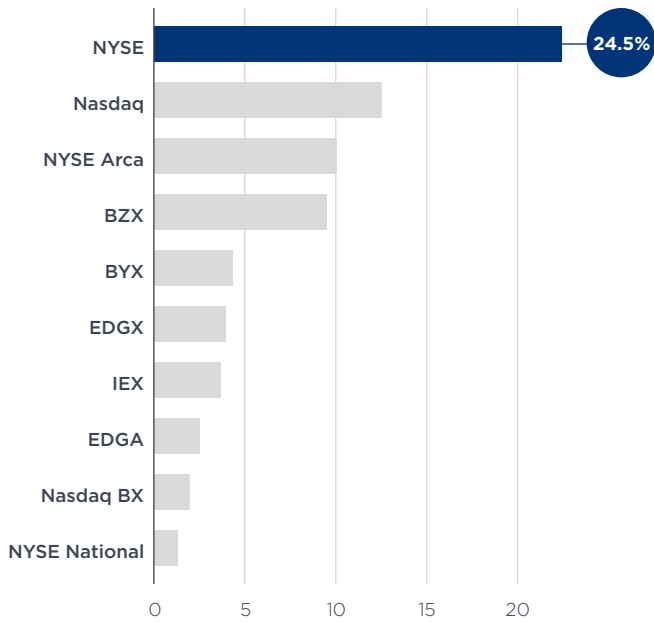
COMPARISON OF DMM OBLIGATIONS VS. TRADITIONAL MARKET MAKER

The following table summarizes DMM obligations backed by incentives on NYSE.

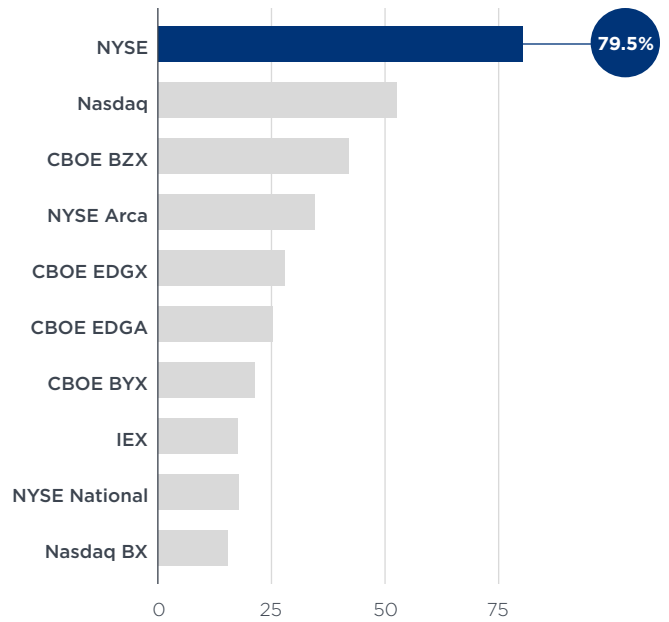
Regulatory Requirements	DMM	Traditional MM
Depth guidelines: Dynamically add liquidity to dampen volatility when insufficient public liquidity	Yes	No
Quoting requirements: Quote certain percentage time at best prices (NBBO)	Yes	No
Auction requirements: Facilitate orderly open/closes and contribute capital to satisfy market orders	Yes	No
Aggressing transactions: Must re-enter with sufficient volume when reaching across the market and aggressively moving the price of a security	Yes	No
Capital requirements: \$75 million plus additional inventory-risk capital for NYSE DMMs	Yes	\$1 million
Maintain continuous quote: Must quote within a certain percentage of the best price	Yes	Yes
Individual accountability: Dedicated trader providing human judgment and communication	Yes	No
Exchange-Funded Incentives		
Quoting rebate: Payment to quote certain percentage time at best prices	Yes	Some exchanges
Quoting size rebate: Payment based on quoted size at best prices	Yes	No
Liquidity provision rebate: Payment based on the amount of liquidity adding volume	Yes	Some exchanges
Price improvement rebate: Payment to encourage posting midpoint orders inside the best price	Yes	Some exchanges
Market data rebate: Payment to improve quoting in less active securities	Yes	No
Flat fee rebate: Payment to improve quoting in less active securities	Yes	No

NYSE - LEADING THE WAY IN MARKET QUALITY

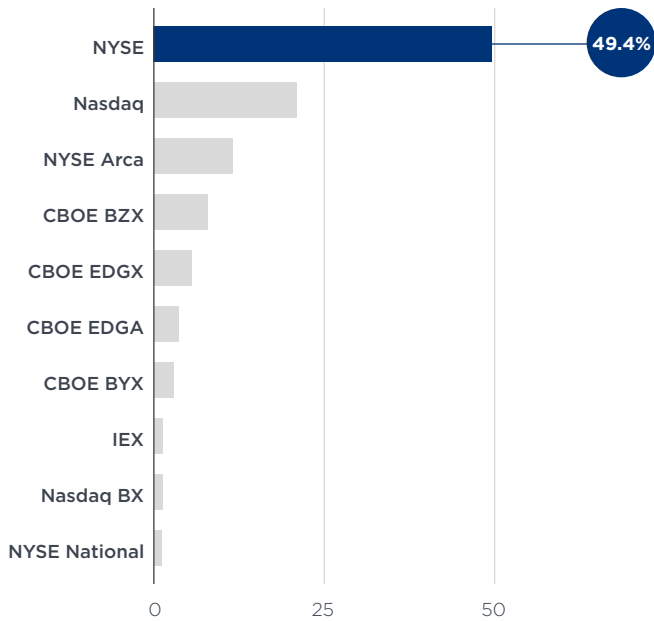
Most Market Share & Liquidity



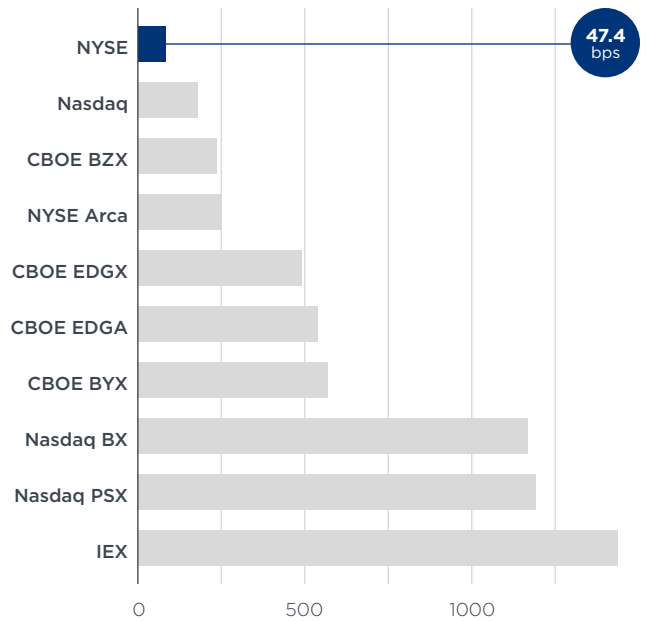
Most Time at Best Prices



Narrowest Quoted Spreads



Most Time & Size at Best Prices*



*Calculated using Enhanced Quoted Spread (EQS) — EQS methodology is described [here](#)

Source: NYSE Internal Database and Consolidated Tape Statistics, June 30, 2019
 Data includes top 10 exchanges in all categories
 Includes NYSE Listed Securities only

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