



A LOOK AT NYSE OPENBOOK™

For market professionals whose job is to find liquidity for their customers, NYSE OpenBook™, the Exchange's new proprietary data product, is making their work a lot easier. Market participants can now see the full range of buy and sell orders on the NYSE limit-order books—real-time aggregate limit-order volume at every bid and offer price for every NYSE-traded security. This brings greater transparency to the NYSE marketplace and provides investors with instant access to point-of-sale information. With limit orders accounting for about 80% of the average 3.7 million orders the NYSE receives each day, OpenBook delivers a significant look at the market.

Through NYSE OpenBook, investors and the broker-dealers who service them “now have a better picture of the depth of the market's liquidity,” says NYSE president Robert G. Britz.

DELIVERING “DEPTH” INFORMATION

This is particularly important given the switch to trading in decimals from fractions, which the NYSE completed in January 2001. The surge in demand for “depth” information since the switch is largely attributed to the fact that liquidity is now spread across 100 price points instead of 16 under the previous fractional pricing system.

To view NYSE OpenBook, subscribers simply call their vendor and request an entitlement. Some 950 firms and 26 vendors now subscribe. Buy- and sell-side trading desks represent most of the demand, says NYSE Vice President Ron Jordan, who manages the Exchange's information business. Between its January 24 launch and mid-May, the product was distributed to thousands of desktops through market-data vendors, including Thomson Corp.'s (TOC) ILX Systems, Reuters, Bridge and Bloomberg.

“In a very short period of time, we've already sold over 800 [subscriptions], which is an excellent response for a new product,” says Bernard A. Weinstein, ILX president and founder. In fact, customers

expressed interest in NYSE OpenBook almost as soon as they learned the product was coming to market, adds ILX Chairman Norman Epstein. He expects the demand to continue. “Just beneath the surface is a significant demand from those who make markets in options,” Epstein says.

T. Rowe Price Group was one of the first buy-side institutions to sign up. “Part of our challenge is trying to figure what the supply-and-demand relationship looks like and where the liquidity is,” says Andrew M. Brooks, vice president and head of equity trading. “So anything the Exchange can do to disseminate liquidity is a positive thing. It's another tool for analyzing supply and demand and determining a strategy to implement as you execute an order.”

Institutional sales trader Robert Frumkes, managing director at Goldman Sachs, says that one of the first things he does after an order comes in is to look at OpenBook. “It's a very useful tool,” he says. “And it adds to the transparency in the market.”

Brokers too are taking advantage of the new product. “If you're going to trade listed [stocks], you've got to have it,” says Joseph Cuttone, senior managing director of Cuttone & Co. Inc. “There's not a trader sitting at any trading desk that shouldn't have this tool open at all times.”

SNAPSHOT OF THE LIQUIDITY

Take for example late morning on May 9, when 9 million shares of AOL Time Warner Inc. (AOL) had already traded. Cuttone took a look at the “traditional” NYSE best bid and offer quote, which showed a bid of \$18.01 for 2,000 shares and 1,000 shares offered at \$18.04. Through NYSE OpenBook, however, he was able to view multiple bids and offers at various price points.

“Now this is a better snapshot of the liquidity,” Cuttone explains, referring to an OpenBook quote of \$17.99 bid for 75,000 shares and 27,000 shares offered at \$18.10. Because of the move to 100 price points and the SEC's order-handling rules requiring the publication of

A NEW TOOL PROVIDES REAL-TIME AGGREGATE LIMIT-ORDER VOLUME AT EVERY BID AND OFFER PRICE FOR EVERY NYSE-TRADED SECURITY.

the best bid and offer, even if the size is minimal at those prices, “the traditional quote doesn't give you a feel for what the stock is going to do,” he adds. “With OpenBook, you have more confidence in your trades because you know the liquidity is there.”

NYSE specialists are also supportive of NYSE OpenBook. “Any effort to build transparency can only strengthen our market,”

ages its own infrastructure. With OpenBook Database, for example, the NYSE stores historic data so users don't have to. “We're spending a lot of time thinking about how we can minimize costs and the amount of bandwidth that users need to receive our products,” says Jordan.

Vendors say this adds to the product's effectiveness. “Our customers are highly cost conscious, so we seek to optimize the efficiency of delivery via our networks and systems,” ILX's Weinstein adds. “OpenBook's implementation is highly efficient, and it doesn't consume a lot of bandwidth. The fact that it's received such an enthusiastic reception from clients indicates that they appreciate its value relative to its cost.”

PART OF A SUITE OF NEW PRODUCTS

NYSE OpenBook belongs to the Network NYSE™ suite of execution services and information products that aim to bring customers closer to the point of

sale. They include NYSE Direct+,™ an automatic-execution service for limit orders up to 1,099 shares; XPress Orders,™ which provides greater assurance that



according to Myles Gillespie, president of Fleet Meehan Specialist.

The Exchange is encouraged by OpenBook's reception, which bodes well for other NYSE proprietary data products to come. For example, it is also looking to combine NYSE OpenBook with other real-time data products, such as NYSE OrderTrac—which will give investors access to statistical snapshots of the Exchange's database of orders—and liquidity quote, which the NYSE is creating to further enhance market transparency.

MORE DATA PRODUCTS

Several database products complementing NYSE OpenBook are also in the works. On May 16 NYSE OpenBook Database, which offers historical limit-order-book data, made its debut. Targeted to the analytic and academic communities, this product allows users to go back as far as a year and view the limit-order-book data on one stock or all stocks over an entire day or other specified time frame.

To be able to efficiently deliver such enormous amounts of data—some 400 million individual records per day—the Exchange relies on the latest in Internet technologies and lever-

OPENBOOK PROVIDES A SNAPSHOT OF LIQUIDITY BY GOING BEYOND THE “TRADITIONAL” BEST BID AND OFFER QUOTE FOR ALL LISTED STOCKS.



orders for more than 15,000 shares are immediately executed; NYSE e-Broker,™ a wireless hand-held communication and order-management tool for floor brokers; and NYSE MarkeTrac,™ a 3-D online tool for individual investors.

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