

**MEMO# 22111**

January 9, 2008

## **SEC Approves NYSE MatchPoint Facility**

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 1-08    RE: SEC APPROVES NYSE  
MATCHPOINT FACILITY

The Securities and Exchange Commission has approved a proposed rule change filed by the New York Stock Exchange to establish NYSE MatchPoint, an electronic facility that matches aggregated orders at eight predetermined sessions throughout regular hours and after hours of the Exchange. [\[1\]](#) MatchPoint is expected to begin operation on January 22. The primary features of MatchPoint are described below.

According to the Order, MatchPoint is an anonymous trading platform that will trade securities listed on the NYSE, other exchanges and those admitted to unlisted trading privileges. Matching sessions will take place at 9:45 a.m., 10 a.m., 11 a.m., 12 p.m., 1 p.m., 2 p.m., 3 p.m. and 4:45 p.m. Order information will not be displayed, but trade reports will be disseminated after each matching session. [\[2\]](#) The Order explains that the price of the intraday match will be the mid-point of the national best bid and offer that is randomly selected during a one-minute trading window. During the after-hours matching session, the reference price will be the official closing price or the last sale price of a particular security.

The Order states that orders may be either market or limit orders, must have a minimum size of one round lot, and must be available for automatic execution. MatchPoint participants may enter, correct, or cancel orders, and must designate orders for only one of the matching sessions at a time. A participant may enter one portfolio of buy and sell/short orders, a single block order or multiple portfolios of buy and sell/short orders. The Order specifies that orders will be allocated on a pro rata basis with unexecuted orders being

immediately canceled back to the user upon completion of the matching session. The Order also details certain conditions in which matching sessions will not occur.

The Order states that participation in the matching session is voluntary and open to all eligible NYSE market participants. The Order specifically represents that participation in MatchPoint will not result in any advantage to market participants that participate in matching sessions over those market participants that do not participate. [3] The Order also emphasizes that all users of NYSE MatchPoint must comply with NYSE rules preventing members from trading ahead of their customer orders (NYSE Rule 92) unless such trading falls within an applicable exception in the rules. Finally, the Order concludes that MatchPoint orders entered from off the floor of the NYSE comply with the “effect versus execute” exemption in Rule 11a2-2(T) of the Securities Exchange Act of 1934.

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#### **endnotes**

[1] SEC Release No. 34-57058 (December 28, 2007), 73 FR 903 (January 4, 2008) (“Order”). The Order can be found on the SEC’s website at <http://www.sec.gov/rules/sro/nyse/2007/34-57058.pdf>.

[2] The trade reports that the NSCC will receive from MatchPoint for anonymous trades will contain the identities of the parties to the trade as well as an indicator noting that the trade is anonymous. On the contract sheets the NSCC issues to its participants, the NSCC will substitute “ANON” for the acronym of the contra-party.

[3] A non-member may fulfill certain qualifications to trade on MatchPoint as a “sponsored participant.”