**Priority Crossing**

A Priority Crossing is a method by which a trading participant can execute both sides of a trade (i.e., match a buy and a sell order) for Cash Market Products (such as stocks) or a Cash Only Combination (a trade that involves multiple Cash Market Products). This can be done at a specific Crossing price but only if certain conditions are met.

Key Conditions for Executing Priority Crossings:

1. Presence of Order in the Market:

The trading participant must already have an order in the trading platform at the desired crossing price.

1. Crossing Market:

There must be a Crossing Market (i.e., a market where trades can be crossed), or the trading participant must create one.

***Crossing Market*** *means that the highest Bid price and the lowest Offer price are not more than one Price Step apart.* (Section 7 ASX Operating Rules – Procedures 2010)

* Priority crossing rule was discontinued on 26/05/2013
* 10 second rule of crossing market was already discontinued by 2010

**Why priority crossing?**

1. Internalization reduces market impact and volatility
2. Broker’s POV:

* brokers can execute trades closer to expected price
* more favorable price equal client satisfaction
* reduced volatility leads to more predictable and stable trading conditions (simplify risk management)

1. Trader’s POV:

* Accurate pricing of the stocks because of reduced market impact and volatility. Hence accurate trading decision
* Less volatility enhances predictability of their trading outcomes
* Better execution price, closer to expected price

1. ASX POV:

* Stable and orderly market promotes confidence in the trading platform
* Attract more participants

1. Faster execution (priority crossing has time priority)
2. Internalisation reduces settlement time
3. Lower trading cost
4. Potential Price improvement

**Why there is a Crossing Market condition in Priority Crossing?**

1. Investor protection: the price in which crossing occurs is at, or close to, the market (best possible price).
2. Market quality: requiring orders to be subject to a market process (price discovery, transparency)