



**Date:** September 1, 2015

**Audience:** NYSE & NYSE MKT Traders

**Subject:** Overview of NYSE Rule 48

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Today, the NYSE and NYSE MKT invoked Rule 48 for the morning opening. This document provides an overview of the rule and the reason we invoke it during periods of market volatility.

The NYSE and NYSE MKT open for trading at 9:30 a.m. ET. The exchanges' Designated Market Makers ("DMMs") are responsible for facilitating the opening of trading in their registered securities, which includes supplying liquidity as needed to maintain a fair and orderly market. DMMs are expected to open the security as close to 9:30 a.m. as possible, but may open a security later, particularly if there is price disparity from the prior close or an imbalance in supply and demand.

Beginning at 8:30 a.m. daily, NYSE and NYSE MKT begin publishing on market data feeds information about the opening auction including the side and size of an imbalance and indicative opening prices.

Under Rule 123D, when there is a significant price change in a single security from the prior close, exchange rules require the DMM to receive Floor Official approval and disseminate a price range indication. For most exchange-listed securities -- those priced from \$10.00 to \$99.00 -- DMMs must publish these Mandatory Indications if a security's price change from the prior close is 10% or \$3.00. An additional revised Mandatory Indication in a security must be published if the opening price will not be within the first indicated price range, or if the first indication had a wide spread. Prior to opening a security, at least three minutes must elapse after the first Mandatory Indication and at least one minute must elapse after any subsequent indications. This process allows the DMM to raise awareness of a potential price dislocation in a specific security in order to attract available liquidity and facilitate the price discovery process.

The Mandatory Indication process is manual and is designed for situations in which one or a few of a DMM's assigned securities will open at prices significantly away from the prior close. During a market-wide event where most securities are expected to open at prices significantly away from the prior close, we invoke Rule 48.

Because of the manual nature of publishing Mandatory Indications, including the need for Floor Official review and approval, Rule 48 relief enables fair and orderly opening of securities that are subject to market-wide volatility. Even when Rule 48 lifts the obligations on DMMs to publish Mandatory Indications, DMMs may publish price range indications if warranted based on the individual circumstances of a particular security, e.g., an offering or recent news for that particular security.<sup>1</sup>

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<sup>1</sup> See NYSE Regulation Information Memo 07-10 (dated December 14, 2007), available here: <https://www.nyse.com/publicdocs/nyse/markets/nyse/rule-interpretations/2007/07-110.pdf>.



Notwithstanding the absence of Mandatory Indications in all securities that opened at prices significantly away from the prior close, market participants have available information regarding order imbalances beginning at 8:30 a.m. as they do on all trading days. The exchanges publish Order Imbalance Information, which includes real-time order imbalances that accumulate before the opening transaction and the price at which interest eligible to participate in the opening transaction may be executed in full. Similarly, if a security enters a Limit Up Limit Down trading halt, imbalance information is disseminated with indicative re-opening pricing.

The NYSE and NYSE MKT rules are designed to provide an appropriate level of visibility into the opening price discovery process reducing volatility while also allowing for an efficient market opening during market-wide events.

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### Contact Info:

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