



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 272-2650



EMBARGOED

For Release: Monday, October 4

82-50

Commission Report Shows Effect of Linkage between Cincinnati Stock Exchange and the Intermarket Trading System

The Commission released its second monitoring report on the operation of the Cincinnati Stock Exchange National Securities Trading System (NSTS). The report includes, for the first time, data on the intermarket volume flow between the NSTS and the participants in the Intermarket Trading System (ITS). The report is of particular interest because the Commission has published for public comment a proposed rule change of the Cincinnati Stock Exchange which would terminate the status of the NSTS as an experimental program by extending its duration for an indefinite period.

The NSTS is an automated electronic trading system which enables members of the Cincinnati Stock Exchange, without the necessity of maintaining a presence on the floor of it or any exchange, to participate in the system by entering into computer terminals bids and offers for securities for their own account or as agent for their customers' accounts. The NSTS stores and queues the bids and offers for execution on a price, time and other specified priority basis.

The ITS is an intermarket communication linkage system operated jointly by self-regulatory organizations. Its object is to facilitate trading between competing market centers by enabling participants in one market center to communicate with participants in other market centers in order to purchase or sell stock.

- MORE -

The results of the linkage between the Cincinnati Stock Exchange NSTS and the participants in the ITS which occurred in February 1981 have been that the Cincinnati Stock Exchange has been a net importer of ITS share volume. For example, in April 1982, the Cincinnati Stock Exchange received 1.7 million shares of stock from other ITS participants and sent 1.1 million shares of stock to these exchanges.

The report was prepared by the Commission's Directorate of Economic and Policy Analysis. The report, furthermore, notes the following: the number of NSTS stocks has grown from 38 NSTS stocks in 1978 when the system first started to 88 NSTS stocks in 1982. The volume of trading in the NSTS, moreover, has continued to grow since the Commission released its first monitoring report on the operation of the NSTS. During 1981, NSTS trading volume averaged 37,000 trades per quarter representing 11.4 million shares. This compares to a quarterly average of 26,000 trades totalling 8.1 million shares in the previous year. During the second quarter of 1982, NSTS share volume reached an all-time high, 11.5 million shares.

#