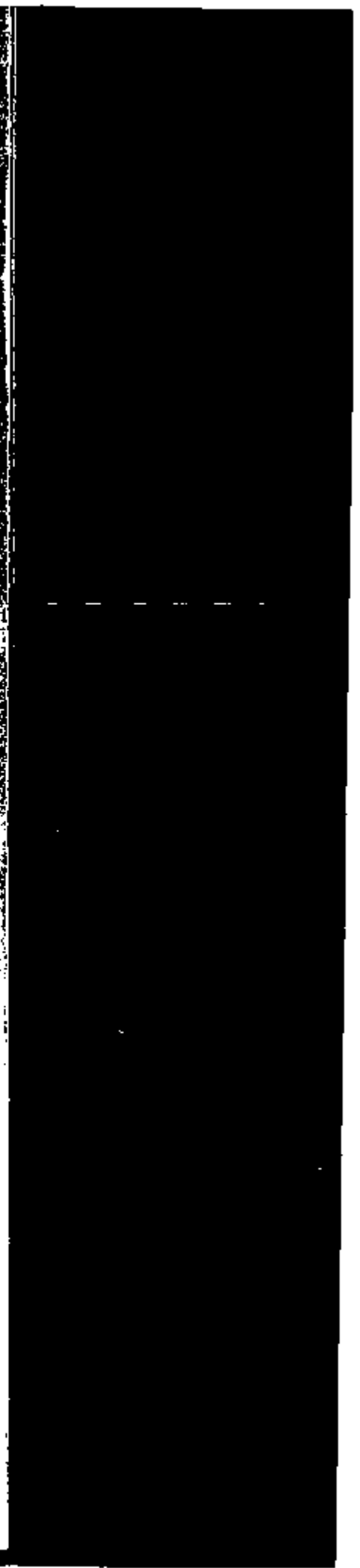
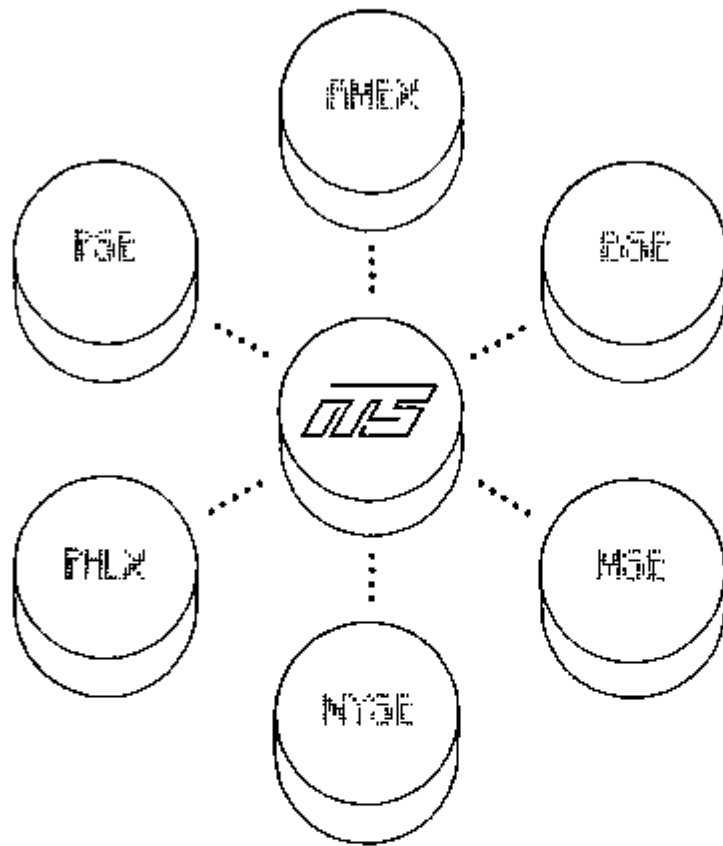


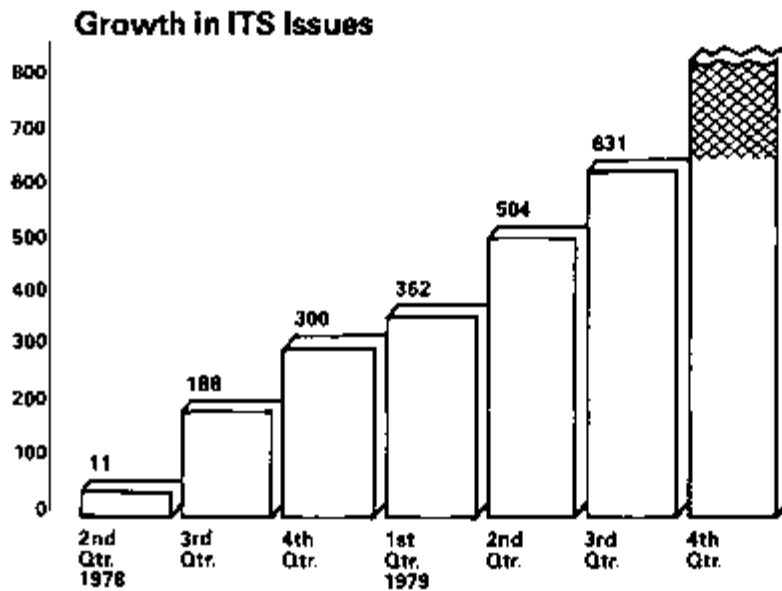
THE
CORNERSTONE
OF THE
NATIONAL
MARKET SYSTEM





ITS—Rapidly Expanding In Competitive Issues

The six participating market centers have increased the number of issues traded on the system from the original 11 in April 1978 to almost 640 currently. This growth will continue as approximately 40 issues per month are added to include the full 900 to 1,000 issues now competitively traded between two or more participants in the system.



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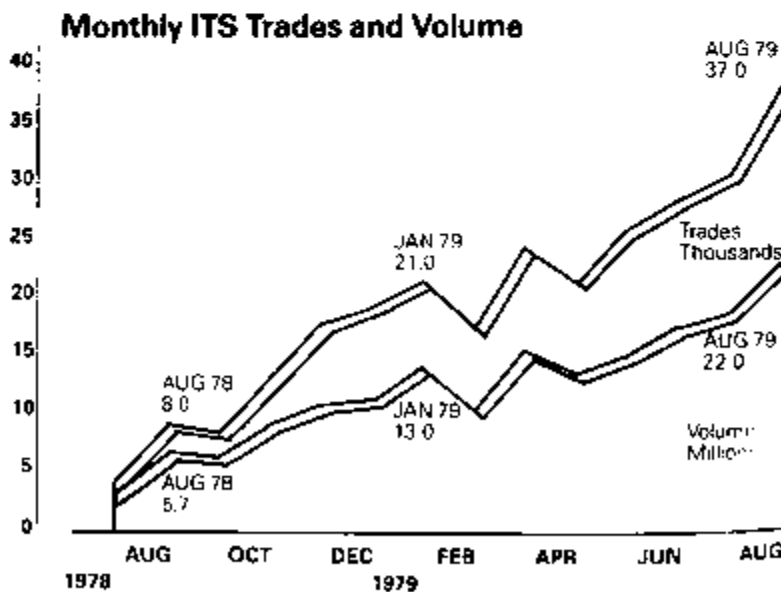
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ITS—Over A Million Shares A Day And Growing

The securities industry's confidence in ITS is reflected by the ever-increasing use of the system. In August 1978 six exchanges were linked by ITS and, in that month, trading volume reached 5.7 million shares. Twelve months later, monthly volume had grown to 22 million shares. The daily average ITS trading day is now just over one million shares and growing.

In the same twelve months, the number of ITS trades per month rose from 8,000 to 37,000 and the system is still growing.

When relating these figures to the much larger number of shares traded overall, it is important to bear in mind that ITS normally is used only when it appears that a better price is currently available in a competing market center. When prices are equal, a broker or market-maker will usually execute in the market in which he is physically present. The purpose of the system is not to shift trades at random from one market to another but assure that executions can take place at the best price currently available within the nationally linked network.



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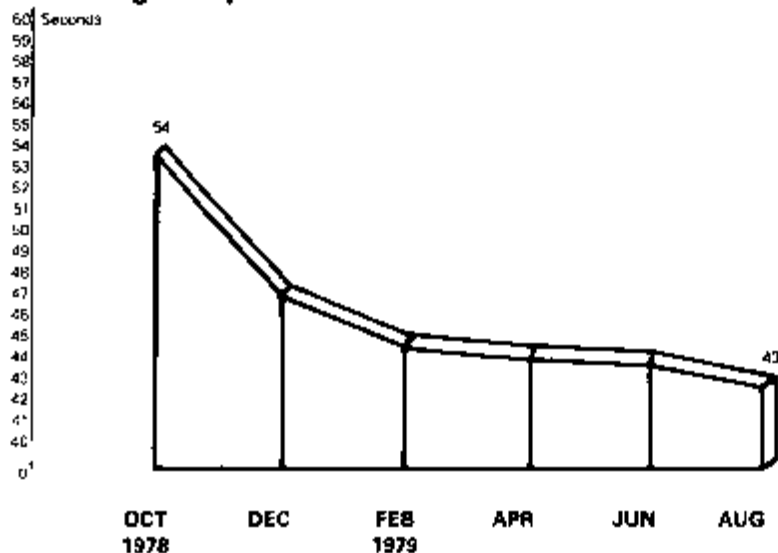
ITS—Fast and Getting Faster

While the system has gained in volume, trades and issues, average execution time has been cut from just under a minute in October 1978 to slightly over 40 seconds in August 1979 with trades in the 15-30 second time frame common.

Improvements, through pilot programs already underway—universal templates and “mark—sense” card readers—will further reduce turn-around time.

But speed can not come at a sacrifice to the key element of human judgment in pricing and trading. ITS commitments always incorporate the flexibility of exposure to the exchange-auction market crowd and are not constrained to automatic computer matching programs.

Average Response Time of Executed Commitments



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ITS—Links The National Market System Elements

ITS provides brokers and market - makers with an electronic communications link for transmitting buy or sell commitments as well as administrative messages to participating exchanges. Each commitment and message is verified by hard copy delivered within seconds of the transmission. ITS works in concert with each of the other NMS elements:

The Consolidated Tape — Trades in ITS are reported on the Consolidated Tape by each participant.

National Clearance and Settlement — No additional clearing steps by brokers are required for ITS trades. Each broker throughout the country completes the post trading process through his own local clearing entity.

The Composite Quote System — Adjunct to ITS and an important factor in its success. It enables all interested parties to see the current quote and size of each eligible stock in all participating markets nationwide.

Limit Order Protection — ITS offers greater protection of public limit orders "at the market" than is presently available. Plans for protection of limit orders "away from the market" are currently being developed.

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ITS—A Dynamic, Expanding System

Because of the prudent, evolutionary design of ITS, many enhancements based on experience have been made during the past year. More are planned for the future. Those include:

- **A Universal Template** — For greater efficiency, a standardized display format for CRT screens will simplify entry and responses to commitments as well as reduce turnaround time.
- **Increased Message Capability** — Software enhancement will provide ability for ITS expansion and increased traffic capacity in the 1980's.
- **Names Later Capability** — For active issues, "give-up" names on ITS trades may be supplied later in the trading day to provide faster executions.
- **Increased Availability of Quotation Montages** — More aid for brokers to view additional size at a best price when available in other market centers.
- **Commitment Card Input and Response Capability** — A pilot program to provide ITS capability for direct input and response via "mark-sense cards" rather than keyboard strokes. This is to improve system efficiency and speed.
- **Limit Order Protection** — A new Limit Order Information System (LOIS) will build upon ITS in order to provide protection for limit orders "away from the market".

FOR THE CORNERSTONE OF
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ITS—The Cornerstone Of The National Market System

The Intermarket Trading System:

- stimulates stronger professional competition to handle public investors' orders.
- improves depth and liquidity in the public markets for listed stocks.
- preserves the key element of human judgment in pricing and trading listed stocks while facilitating the execution of transactions among widely separated marketplaces.
- assures low-cost enhancement of market-making in participating market centers.
- permits continuity of regulation and surveillance of market activity in listed stocks.
- avoids the inflexibility that would result from forcing all trading into a single, computerized mold.

By building upon, refining and enhancing the time-tested fundamental features of our exchange marketplaces, ITS allows all members in all participating markets to better serve their customers. Better service to the investing public, through a system that employs highly sophisticated electronic technology but at the same time is simple, practical and inexpensive, makes ITS the cornerstone of the emerging National Market System.

THE NATIONAL MARKET SYSTEM
ITS ITS ITS ITS

For further information or if you have any questions about the Intermarket Trading System, please contact:

American Stock Exchange

James Neal
Market Operations Division
86 Trinity Place
New York, NY 10006
(212) 938-6386

Boston Stock Exchange

Leon J. Bastien
Marketing Department
53 State Street
Boston, MA 02109
(617) 723-9500

Midwest Stock Exchange

Michael Gasperi
Exchange Operations
120 South LaSalle Street
Chicago, IL 60603
(312) 368-2404

New York Stock Exchange

Edmund Lukas
Marketing Department
20 Broad Street
New York, NY 10005
(212) 623-6876

Pacific Stock Exchange

Howard E. Stubblefield
Marketing Department
301 Pine Street
San Francisco, CA 94104
(415) 393-4044

Philadelphia Stock Exchange

Stephen Reed
Marketing Department
17th & Stock Exchange Place
Philadelphia, PA 19103
(215) 563-4700



The Intermarket Trading System— Building On Strength

The Intermarket Trading System (ITS) was launched in April 1978 as a joint effort of the American, Boston, Midwest, New York, Pacific and Philadelphia Stock Exchanges. Since its inception, ITS has proven itself to be an efficient electronic communications linkage between market centers as called for by Congress in its mandate for a National Market System. But electronic efficiency was not the only consideration in developing ITS. Equally important was the determination to build upon the proven strengths and flexibilities of the exchange market systems while expanding the full and fair field of competition among investors' orders, among market-makers and among the market centers.

The result is a system that weds computer age technology with human judgment — a factor vital to the pricing and trading of securities for almost 200 years. Melding these two elements permits more effective and competitive utilization of capital for market making and facilitates the execution of investors' orders at the best price available.

In short, ITS enables a broker or market-maker to reach into other markets — electronically — within a matter of seconds, whenever a better price in a competitively traded issue may be available.

