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(54) Title: SYSTEMS AND METHODS FOR VENDING AND ACQUIRING ORDER PRIORITY

(57) Abstract: Systems and methods for vending and acquiring of trading priority in electronic trading systems are provided. The systems and method provide for vending and acquiring priority in any suitable electronic trading system. Such suitable electronic trading systems include, but are not limited to, hit/lift exclusive priority systems, price time priority systems, order allocation systems, and request for quote systems.

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SYSTEMS AND METHODS FOR VENDING AND ACQUIRING ORDER PRIORITY

Field of the Invention

[0001] The present invention relates to electronic trading systems and corresponding methods.

Background of the Invention

[0002] Electronic trading systems provide a forum for buyers and sellers to share price information about traded goods and thereby facilitate efficient marketplace transactions. Sellers and buyers alike may be permitted access to market information to make informed decisions about pricing and volume. Host computers may run a number of applications including order-matching, maintaining order books and positions, price information, and managing and updating databases while trading is being effected. Other data processing may be effected after close of trading, for example creating or maintaining an audit trail. Additionally, some trading interfaces (such as Application Program Interfaces) may allow other computers to act on behalf of users. Such computers may be programmed with statistical models for program trading. Trades may be transacted upon a matching of contra orders, i.e., orders on the opposite sides of a transaction.

[0003] One important component of electronic trading systems is order priority. Order priority is the mechanism by which systems determine which orders are matched first, second, etc. To facilitate orderly and market-efficient transactions, electronic trading systems may establish rules or combinations of rules to determine which buyers and which sellers can trade with each other at a given time. Priority rules may be based on price, time, or other suitable criteria.

[0004] Typically, buyers and sellers place bids and offers for a defined class of traded goods. Each trading participant may place a bid or offer at a select price and

volume. Priority may be awarded to the best or highest bid price from a trading participant who wants to buy the traded good, as well as to the best or lowest offer price from a trading participant who wants to sell the traded good. If multiple competing orders are resident in the system at the same price, then priority may be awarded to the earliest in time order among the competing orders. As such, a queue (or "stack") of bids and offers develops in price and time order.

[0005] In some trading systems, once the queue forms, trading may begin only by an affirmative action on the part of a trading participant. This is sometimes knows as hit -- i.e., an acceptance of a pending bid -- and lift (or, "take") -- i.e., an acceptance of a pending offer -- trading. In hit and lift trading, the trading participant who takes affirmative action to enact a trade – i.e., he either hits a bid or lifts an offer – may be known as the "active" participant. The trading participant whose bid was hit or whose offer was lifted may be known as a "passive" participant. The first of such active and passive trading participants in line to trade may be referred to herein as "current" participants. The current participants may trade while the other participants remain queued up in the stack below waiting to trade.

[0006] During some types of hit and lift trading, initial priority may be awarded to the first trading participant that actively hit a bid or lifted an offer and to the first passive participant on the contra side of the trade. These trading participants may therefore transact trades further between each other and then subsequently with more contra or counterparties before other participants on their same side who did not initially act affirmatively to trade or may not have participated passively on the contra side of the trade.

[0007] In some embodiments of hit and lift trading, once a trade has been transacted, the current participants may be given priority to trade additional volume for a predetermined time period or some other suitable time period. A hit and lift system that includes the ability for current participants to transact additional volume once an initial trade has been transacted is described in detail in U.S. Patent No. 6,560,580, which is incorporated herein by reference in its entirety. The additional time period

grants the current participants time-limited exclusivity and allows the current participants at least one period of time to trade exclusively at that price.

[0008] After the current trading participants who have initial priority are finished, or, alternatively "done", trading may continue down the stack in price and time order, or "priority". Price and time priority trading rewards priority to same price orders that are submitted earliest in time.

[0009] Typically, price/time priority trading participants may not move up the stack and into a current priority trading position. As long as the current trading participants are benefiting from their respective priority, the rest of the participants in the stack have to wait. However, ff the current trading participants complete their transactions before their priority ends, valuable trading time may go to waste as price/time trading participants wait in line for the period of exclusivity to lapse.

[0010] It would therefore be desirable to provide systems and corresponding methods that allow non-current participants to have access to the time period of limited trading exclusivity.

[0011] It would therefore also be desirable to provide systems and methods of electronic trading that support trading, e.g., acquiring and vending, trading priority.

[0012] Electronic exchanges and trading systems that provide such functionality may allow a trader to significantly improve his own or his firm's bottom line or profitability. These qualities, arising out of the technical way such priority situations are handled, may make such exchanges and interfaces desirable.

[0013] Furthermore, Exchanges and trading systems that allow quick and economic use of such functionality may allow a trader an advantageous ability to maximize opportunity in fast moving markets are also desirable.

Summary of the Invention

[0014] In one aspect, systems and methods are provided that allow participants that desire to trade during the otherwise wasted time to have access to the time period of limited trading exclusivity.

[0015] In another aspect, systems and methods of electronic trading are provided that support the acquiring and vending of trading priority.

[0016] In another aspect, systems and methods are proved that allow other trading participants to partake of the limited exclusivity that initial hit and lift trading participants may benefit from.

[0017] In one embodiment of the systems and methods disclosed herein, priority is awarded to trading participants for a particular period of time. Thus, priority takes on the characteristics of an option to purchase or sell a certain item in a given time frame. An option, by nature, has value and can, therefore, be acquired or vended (sold) for value.

[0018] In at least one embodiment of the above-mentioned electronic trading system, the system includes a server with a storage device that store a server program and one or more server processors that execute the server program to transact or otherwise assist in the vending and acquisition of priority between a plurality of trading participants, including a priority vendor and a priority acquirer, as disclosed herein.

[0019] The server may be coupled over a communication network to one or a plurality of workstations to communicate with the server, the workstations having a storage device and a processor connected to the storage device, where the storage device stores a workstation program for controlling the workstation processor. The workstation processor may operate with the workstation program to (a) receive from the server and display on the workstation transaction information relating to priority to trading participants, (b) receive and communicate to the server a bid or offer entered by a first trading participant at a select price or volume/quantity, (c) execute a transaction in accordance with a command entered by a second participant to trade the item at the select price and or quantity, (d) enable the first and second trading

participants to continue to trade volume at the select price, and (e) enable the first and second trading participants to vend priority; and (f) enable subsequent trading participants to acquire priority. A clearing center may operate to communicate with the server, wherein the clearing center includes a storage device and at least one processor connected to the clearing storage device that stores a clearing program for controlling the clearing processor. The clearing processor may operate with the clearing program to cause the transactions to be completed and cleared and to verify that the transactions are completed and cleared.

[0020] In one, embodiment of the above-mentioned method for electronic trading includes one or more of the following steps: (1) storing a server program for controlling at least one server processor; (2) communicating with the server by a plurality of workstations, that include storing a workstation program for controlling at least one workstation processors; (3) displaying transaction information relating to the traded priority to trading participants; (4) receiving a bid or offer entered by a first trading participant at a select price or volume; (5) executing a transaction in accordance with a command entered by a second participant to trade the item at the select price; (6) enabling the first and second trading participants to continue to trade volume at the select price; (7) enabling the first and second trading participants to vend priority; (8) enabling subsequent participants to acquire priority and (9) communicating with the server by a clearing center that stores a clearing program for controlling a clearing processor for causing the transactions to be completed and cleared and to verify that the transactions are completed and cleared.

[0021] One embodiment of the above-mentioned electronic trading system includes a computer-readable medium with software stored thereon that when executed perform a method that includes one or more steps of: (1) storing a server program for controlling at least one server processor; (2) communicating with the server by a plurality of workstations, that include storing a workstation program for controlling a workstation processor; (3) displaying transaction information relating to the traded priority to trading participants; (4) receiving a bid or offer entered by a first trading participant at a select price or volume; (5) executing a transaction in accordance with a

command entered by a second participant to trade the item at the select price; (6) enabling the first and second trading participants to continue to trade volume at the select price; (7) enabling the first and second trading participants to vend priority; (8) enabling subsequent participants to acquire priority and (9) communicating with the server by a clearing center that stores a clearing program for controlling a clearing processor for causing the transactions to be completed and cleared and to verify that the transactions are completed and cleared. In another aspect, a system is provided for trading an item comprising: a server comprising a server storage device, a server processor connected to the server storage device, the server storage device storing a server program for controlling the server processor, the server processor operative with the server program to match trade orders between a plurality of trading participants in accordance with a trading algorithm, and the server processor further operative with the server program to provide trading priority to a trade order for at least one participant of the plurality of the participants in matching trade orders and to trade unused priority from the at least one participant to at least one other participant that acquires the unused priority and to provide to the at least one participant an incentive award for trading the unused priority.

In one embodiment, the system for trading an item uses an algorithm wherein the trading algorithm is a hit/lift trading algorithm. In another embodiment, the system for trading an item uses an algorithm wherein the trading algorithm is for matching market maker, professional trader and public customer orders and quotations with incoming orders and quotations. In another embodiment, the system for trading an item uses an algorithm wherein the trading algorithm is a price and time priority trading algorithm. In another embodiment, the system for trading an item uses an algorithm wherein the trading algorithm is a pro-rata sharing trading algorithm. In another embodiment, the system for trading an item uses an algorithm wherein the trading algorithm is a request for quote trading algorithm. In another embodiment, the system for trading an item is further operative with the server program to output an indication of a trading priority available for acquisition. In another embodiment, the server computer is coupled to a plurality of workstations over a communications

network, each of the plurality of workstations operative to communicate with the server. Each of the workstations comprising a workstation storage device, a workstation processor connected to the workstation storage device, the workstation storage device storing a workstation program for controlling the workstation processor, and the workstation processor operative with the workstation program to display transaction information to trading participants receive an indication of a trading priority available for acquisition, and display an indication of a trading priority available for acquisition to the plurality of trading participants. In one embodiment, the transaction information relating to the trading priority is displayed as an indication pertaining to a price and size available for trading. In one embodiment, the transaction information relating to the trading priority is displayed as an indication pertaining to one of a bid, buy, offer or sell side for which priority may be acquired. In another embodiment, the system for trading an item provides an incentive award wherein the incentive awarded to the vendor is provided as a reduction in brokerage fees. In another embodiment, the system for trading an item provides an incentive award wherein the incentive awarded to the vendor is provided as a reduction in trading fees. In another embodiment, the system for trading an item provides an incentive award wherein the incentive awarded to the vendor is provided as a reduction in clearing fees. In another embodiment, the system for trading an item provides an incentive award wherein the incentive awarded to the vendor is sourced from a priority acquirer. In one embodiment, the incentive is sourced from a priority acquirer is provided as an increase in brokerage fees. In one embodiment, the incentive is sourced from a priority acquirer is provided as an increase in trading fees. In another embodiment, the incentive sourced from a priority acquirer is provided as an increase in clearing fees. In another embodiment, in the system for trading an item, the vending of trading priority by the at least one priority vendor is by default. In another embodiment, in the system for trading an item, the vending of trading priority by the at least one priority vendor is implemented by said priority vendor sending an instruction to vend priority. Corresponding method for trading the item and computer readable media that include software stored thereon that when executed perform the method are also provided.

Brief Description of the Drawings

[0022] Further features of the invention, its nature and various advantages will be apparent from the following detailed description of the preferred embodiments, taken in conjunction with the accompanying drawings, in which like reference characters refer to like parts throughout, and in which:

[0023] FIG. 1 is an illustration of an electronic implementation of a system in accordance with some embodiments of the present invention;

[0024] FIG. 2 is an illustration, in greater detail, of an electronic implementation of a system in accordance with some embodiments of the present invention; and

[0025] FIG. 3 is an illustration of an electronic trading interface in accordance with some embodiments of the present invention.

Detailed Description of the Invention

[0026] Trading priority has value to trading participants, both those who are enjoying a priority trading position, and those who wish to obtain priority outside of the standard priority rules to improve their respective position on the buy or sell list. On the other hand, trading priority may be of no value to other trading participants, for example, those who have enjoyed priority but who have finished trading, or those who connect their trading models via an automated program via an application programming interface (API) that may not recognize, or, alternatively, take advantage of, priority. These differing interests in priority create a marketplace for the sale and purchase of trading priority, wherein participants who do not use their trading priority can effectively sell, vend, or otherwise trade their unused priority to those who desire to purchase or acquire the unused priority and receive value or any incentive award in return.

[0027] In one embodiment, a trading participant who has completed trading may sell his unused priority and in exchange for the priority receive value in terms of a price reduction in trading fees, such as brokerage fees or commissions, clearing fees, trading system fees, etc. Another trading participant may similarly acquire the trading

participant's unused priority, e.g., to improve his respective position in the buy or sell stack and thus increase the chances of trading sooner, by paying value in the form of increased trading fees, such as brokerage fees, clearing fees, trading system fees, etc.

[0028] One example of a user who has indicated his desire for priority, or alternatively, his desire to trade the item, is disclosed in U.S. Patent App. No. 10/678,582, which is incorporated herein by reference in its entirety. Such a desire is identified therein as attributed to a user who has elected to pay slightly more to buy, or receive slightly less to sell (sometimes known as "price improvement" or "PI") in order to move ahead in the stack. Trading participants who elect to use price improvement may move ahead in the stack of others that have not done so in order to improve the paying participant's chances of executing trades. Trading participants who do not pay value to acquire unused priority, such as in the form of extra brokerage fees, may be known as "regular users."

[0029] The following definitions of trading participants are used in this description to more easily define the concepts discussed herein. Nevertheless, the invention or inventions disclosed herein are not limited to these particular trading participants and may apply to any suitable trading participant.

[0030] a) Market Makers: Trading Participants that support a trading instrument by making regular bids and offers to support liquidity in that instrument. The instrument may be a financial instrument or security, such a stock, bond, option, debenture, certificate of interest, collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, put, call, straddle, option, privilege on any security, certificate of deposit, or group or index of securities, or privilege entered into on a national securities exchange relating to foreign currency, derivatives, swaps, warrants, etc. Although the methods and systems disclosed herein may be described by way of example as relating to transactions in such financial instruments or securities, it is understood that the methods and systems are equally applicable to trade priority with transactions for other items, such as goods or services, and is therefore not limited in this regard.

[0031] b) Priority vendor: Trading participants that show an intent by some suitable action to trade their unused priority. A priority vendor may be any participant that is provided the ability to trade unused priority as discussed herein. The priority vendor may also be an API participant that trades on electronic trading systems that use an API that may not recognize and may not take advantage of priority rules. In these instances, the API participant may prefer to trade their otherwise non-usable unused priority for value, e.g., in the form of lower trading or brokerage fees, on the volume already traded by the API participant in the underlying transaction to another trading participant, either automatically or otherwise. The term "volume" is used synonymously herein with the term "quantity" unless specified otherwise.

[0032] c) Priority acquirer: Trading participants that show an intent by some suitable action to acquire unused trading priority when made available by a priority vendor. Examples include but are not limited to trading participants that (1) use price improvement; (2) pay extra brokerage; and (3) are market makers.

[0033] Referring to FIG. 1, exemplary system 100 for implementing the methods disclosed herein is shown. As illustrated, system 100 may include one or more workstations 101. Workstations 101 may be local or remote, and are connected by one or more communications links 102 to computer network 103 that is linked via communications links 105 to server 104. Server 104 is linked via communications link 110 to back office clearing center 112.

[0034] In system 100, server 104 may be any suitable server, processor, computer, or data processing device, or combination of the same. Server 104 and back office clearing center 112 may form part of the electronic trading system. Furthermore, server 104 may also contain an electronic trading system application or applications and/or an application programming interface (API) that when executed provide the back-end functionality described herein, including transmitting and/or causing a Graphical User Interface or other display screens to be displayed with data entry fields therein at the user workstation for users to trade items and any unused priority therewith. Software may similarly be stored on Workstation 101 that provides the

front-end functionality, including displaying the Graphical User Interface on Workstation 101.

[0035] Computer network 103 may be any suitable computer network including the Internet, an intranet, a wide-area network (WAN), a local-area network (LAN), a wireless network, a digital subscriber line (DSL) network, a frame relay network, an asynchronous transfer mode (ATM) network, a virtual private network (VPN), or any combination of any of the same. Communications links 102 and 105 may be any communications links suitable for communicating data between workstations 101 and server 104, such as network links, dial-up links, wireless links, hard-wired links, etc.

[0036] Workstations 101 may be personal computers, laptop computers, mainframe computers, dumb terminals, data displays, Internet browsers, Personal Digital Assistants (PDAs), two-way pagers, wireless terminals, portable telephones, programmed computers having memory, the programmed computer using the memory for implementing trading models, etc., or any combination of the same. Workstations 102 may be used to implement the electronic trading system application and application programming interface according to the invention.

[0037] Back office clearing center 112 may be any suitable equipment, such as a computer, a laptop computer, a mainframe computer, etc., or any combination of the same, for causing transactions to be cleared and/or verifying that transactions are cleared. Communications link 110 may be any communications links suitable for communicating data between server 104 and back office clearing center 112, such as network links, dial-up links, wireless links, hard-wired links, etc.

[0038] The server 104, the back office clearing center 112, and one of the workstations 101, which are depicted in FIG. 1, are illustrated in more detail in FIG. 2. Referring to FIG. 2, workstation 101 may include processor 201, display 202, input device 203, and memory 204, which may be interconnected. In a preferred embodiment, memory 204 includes a storage device for storing a workstation program for controlling processor 201. The storage device may include software stored on a suitable storage medium, such as a hard disk, optical disk, etc. Memory 204 may also

contain an electronic trading system application 216 that when executed provides some or all of the functionality disclosed herein with regard to trading unused priority.

[0039] Electronic trading system application 216 may include an application program interface 215, or alternatively, as described above, the electronic trading system application 216 may be resident in the memory of server 104 to provide some or all of the functionality disclosed herein with regard to trading unused priority, either alone or in combination with software stored on the workstation 101. In this embodiment, the trading system may contain application program interface 215 as a discrete application from the electronic trading system application 216 which also may be included therein. The distribution to the user may then be a Graphical User Interface which allows the user to interact, e.g., communicate bids and offers, RFQs, trading commands, etc, and to trade or purchase priority, etc., with electronic trading system application 216 resident at server 104.

[0040] Processor 201 uses the workstation program to present on display 202 electronic trading system application information relating to market conditions received through communication link 102, and trading commands and values to be transmitted by a user of workstation 101 for receipt by the server 104 for execution. Furthermore, input device 203 may be used to manually enter commands and values in order for these commands and values to be communicated to the electronic trading system and/or server 104.

Priority Vending By Default

[0041] The following defines specific priority passage rules that may be implemented according to at least one embodiment of the methods and systems disclosed herein. The priority rules may be implemented with software stored on the server 104, workstation 101, or a combination thereof, that when executed provide the functionality disclosed herein.

[0042] In one embodiment, trading participants may set default trading parameters such that when they have unused priority, the unused priority will automatically vend to the next willing priority acquirer. The default setting may be transmitted from the

workstation 101 and received by the server 104 using any appropriate interface screen with form element therein for a participant to specify the default position. Generally, the trading system disclosed herein receives a plurality of orders to trade at least one item. The orders are stored in a database of orders along with the details of the orders, such as price, quantity, volume, the time received, etc. The term "order" is used herein generally to denote any form that indicates a willingness to trade, which may include bids, offers, requests for quotes, etc. Orders may be communicated to potential contra-party participants for action or may be matched with counter orders and executed automatically. In either event, a successful order matched by price or some other term, whether manually initiated by participants or automatically by the system, generally signals the start of a priority trading session. When a priority vendor by default is first in the line of trading participants, the following trading priority rules may be implemented in the priority trading session:

[0043] (i) For any first participant in a trade, the system may store a "priority vendor tally" or simply "tally" for each of the participant's transactions.

[0044] The tally may be participant and/or transaction/trading session specific and may record and thus reflect the amount traded by each participant in the underlying priority transaction or during an extended priority transaction, respectively. The system does not, however, change any active trading parameters – i.e., nothing different is done regarding vending priority until a period of active priority trading occurs.

[0045] (ii) If a trading participant hits a bid for the specified bid quantity or for a higher quantity than an existing offer, that active participant and the passive counter participant become the current participants with trading rights, including a period of exclusivity between them. The system may update the priority vendor tally with respect to the current participants by adding to the tally of each participant and/or to the tally of the transaction/trading session an amount to reflect the quantity of the initial trade executed by the then current participants. The tally may also reflect subsequently traded quantities of the item being traded between the then current participants and any subsequent priority traders that become current participants, e.g.,

by acquiring priority, during a then extended or continuing priority trading session. In one embodiment, the tally may reset to zero when each participant loses his or her respective priority. In another embodiment, unused priority may be maintained by each participant cumulatively, in which instance the tally may be stored and updated to include quantities from trades executed throughout the course of the trading day or for a longer period of time.

[0046] (iii) At inception of the trade, if a current participant is a priority vendor, the participant may continue to enjoy priority in the traditional way, e.g., trading as much volume or quantity as the priority vendor desires and is available for trading with the contra side. The system generally blocks non-priority participant orders from being executed during the priority trading session. In this instance, the following three scenarios may occur: the priority vendor may (1) carry on as the current participant, e.g., when there is no priority acquirer on the same side of the trade to take the priority vendor's place in the extended transaction, and continue trading with the trading system, (2) trade unused priority to the first priority acquirer who subsequently joins the trade on the same side as the priority vendor, or (3) become finished or "done", e.g., either because the priority vendor elects to end his trading session or the session times out (the priority period ends according to the timing of the trading logic). Any of these scenarios may be in one or more steps performed manually, automatically by the trading system, or a combination thereof. In this embodiment, the current participant's priority vendor tally for the transaction may reset to zero, as no successful vending of priority was transacted.

[0047] (iv) Where the conditions of trading priority exist and the priority vendor does not have any additional items or units left to trade, a subsequent priority acquirer may take the place of the priority vendor as the current participant. When this occurs, the priority vendor may be designated as having become "done" and may thus be removed from the buy or sell stacks. The trading system then places the priority acquirer in the place of the priority vendor who inherits priority opportunities and time left over from the priority vendor.

[0048] (v) A priority acquirer that subsequently joins the trade on the same side as a priority vendor that still has additional items or units to trade may be allowed to become the current participant alongside with the priority vender while the priority vendor still has units untraded or an order unfilled. When there is subsequently no further volume to be traded from the priority vendor, the system may place the priority acquirer as the sole current participant on that side of the trade, immediately trading any active contra current volume, without being "done", and enjoying whatever priority opportunities and time is left to trade. Any volume subsequently submitted for trade by the priority vendor, during the trade but after priority is transferred to the priority acquirer, may be placed by the system to the bottom of the buy or sell stack in price and time priority order, in accordance with the priority vendor having effectively passed priority to the priority acquirer.

[0049] (vi) The priority acquirer tally for the extended transaction is updated to include the amount traded by the priority acquirer after priority acquisition and for the duration of the priority acquirer's participation in the extended trading session, not including volume traded before that point.

[0050] (vii) If any contra current participant's priority ends while the priority acquirer is still the current participant, the priority acquirer may continue trading with any other contra side participant that was waiting to trade, but previously held from trading according to the priority trading rules.

[0051] (viii) In one embodiment, after trading (or trade matching) ceases at a particular price level, the priority vendor receives an incentive, e.g., in the form of a reduction in brokerage or any other trading fee for the trade, whether the fees are based on the size of the trade or otherwise, as a result of the sale of his priority. Brokerage or any other trading fee for the priority vendor's trade may be reduced at a predetermined rate, such as by a dollars per million rate, applied to an amount that may be limited based at least on the smaller of: 1) The priority vendor tally that reflects trades before priority vending (the volume the priority vendor traded before his unused trading priority passed to the priority acquirer); 2) the priority acquirer amount tally traded after priority acquisition (the volume the priority acquirer

subsequently traded after and/or as a result of the priority acquirer acquiring the unused trading priority); and 3) The actual monetary amount of the brokerage or other trading fee the trading system may apply to the priority vendor trade. The fee may also be limited to or reflect the volume traded by the priority acquirer after the end of the priority acquirer's priority.

[0050] For Example:

A Priority Vendor by default, "PV1" bids a price for a quantity of items:

100.12 for 10 million (hereinafter "m") units

A Regular User, RU1 bids for at the same price level:

100.12 for 2m units

A Contra Trading participant, CT1, offers at the same price level:

100.12 for 14m units

In this instance, CT1 may hit or the system may automatically match and execute both bids, selling first to PV1 and then to RU1 to fulfill both buying interests with 2m units remaining for sale. PV1 retains trading priority even though PVI has not bid on additional units to cover CT1's remaining unsold units. PV1 has an unused priority time period that PV1 may use or may be applied to PV1 bids subsequent in time to non-priority bids to trade the extra 2m units available from CT1. Priority may be measured by the actual passing of time or any other event that may be used to trigger the start or end of the priority session, or a combination thereof. For example, priority may begin at the time the priority participant hits a bid or takes an offer and end some predetermined time thereafter. In this instance, unused priority may be in the form of unused time that is passed to the priority acquirer. Alternatively or in addition, priority may begin at the time the priority participant hits a bid or takes an offer and

ends for any particular participant when the participant elects to end priority or when the participant executes a trade that triggers the end of priority. For example, priority may end for a participant when that participant trades a quantity in the counter position in effect leaving no unsold shares after the transaction for either participant.

[0052] Once participants begin trading, the current participants are in a priority trading state and transaction occurring therein, i.e., priority transactions, may be identified or tagged as resulting therefrom. When priority extends beyond the initial priority participants or the initial priority transaction, the priority state may be viewed as being in an extended state and any transaction occurring in that state may be viewed as extended transactions and may be tagged as a second priority trading transaction, a third priority transaction, etc. When a participant's bid or offer or portions thereof forms part of an initial priority transaction or any subsequent priority transaction, the bid or offer is placed in a first or priority position in the stack. Bids and offers next in the stack that do not enjoy the benefit of priority may be placed in a second, third, etc., non-priority position in the stack. Orders in the non-priority positions in the stack of a trading session are generally in a non-priority trading state. Non-priority positions are generally ordered by price and time. Referring back to the example, an interface screen may be displayed that shows the details of the priority transaction or generally of the priority trading session as follows:

100.12 HIT 12 0 X 2

This listing indicates that an initial or any other priority transaction is in the priority position in the stack and 12m units of the order were traded at the 100.12 price level. The 0 side of the 1 X 2 matrix displayed adjacent to the price and quantity data designates the quantity remaining in the bid side in the priority position of the stack and the 2 side designates the quantity remaining in the offer side of the priority position of the stack, both expressed in millions. The priority position generally tracks the volume of items traded between priority participants during the initial and extended transaction.

[0053] If another Regular User, "RU2" bids 100.12 for 5m units, the screen may further show:

100.12 HIT 12 0 x 2
5 5

The RU2 bid is shown below the priority position during the time that PV1 continues to have trading priority indicating that RU2's bid for 5m units is in a first non-priority position in the stack. It can be seen that RU2's order has a priority that is after that of the priority position or of the then current priority participants. This is denoted by the continued existence or display of the 0 on the buy side and by locating the 5m spatially separate from the level of the priority position. Similarly, if another Regular User, "RU3" places a bid to purchase 3m units at a time later than RU2, RU3's bid may be in a second non-priority position in the stack that is displayed spatially starting with the priority position, followed by the first non-priority position and then the second non-priority position.

[0054] If PV1 vends priority to a Priority Acquirer user "PA3" that bids at the same price level as that being traded in the priority position, e.g., 100.12, for 6m units, the system replaces PV1 with PA3 in the priority position of the stack. As PV1 traded his priority position, the tally for PV1 becomes the 10m units purchased by PV1, the amount executed by PV1 as of the time priority passes to PA3, which may be used to compute, e.g., a trading fee reduction or a reduced trading fee to reflect unused priority traded by PV1, or to compute any other value associated with PV1's unused priority.

[0055] As a result of acquiring priority from PV1, PA3 advances into the priority position in front of RU2's bid for 5m units and buys the then remaining 2m for sale. The tally for PA3 at this time accrues to 2m units, the amount executed by PA3 in the extended transaction. The tally for the transaction is now 14m units.

[0056] The screen may then be updated to reflect PA3's transaction as follows:

100.12 HIT 14 4 X 0
5
3

This listing indicates that 14m units have been executed in the trading session, 4m units remain on the bid side of the priority position in the stack, and 5m units remain in the first non-priority position in the stack. Additional priority positions may follow, including priority positions resulting from orders received at later times and at higher price levels, such as RU3's bid for 3m units placed at a later time than RU2's 5m unit bid. As CT1 has not traded its priority, CT1 may have trading priority to sell additional units to meet PA3's remaining unfilled bid, i.e., the 4m units still outstanding on the bid side of the stack.

[0057] In one embodiment, if any participant in the priority transaction buys or sells the item being traded in an amount that does not result in altering the balance between the bid and offer sides in the priority position in the stack, from e.g., a bid side imbalance to an offer side imbalance or in the reverse, the priority for that particular participant may then be tagged as having ended. For example, if CT1 sells 1m units then CT1 may be deemed finished or "done" because CT1 did not sell at least the full size of the remaining 4m units in the pending buy order to alter the priority position from an offer side imbalance to a neutral or bid side imbalance, thereby ending CT1's trading priority. In this instance, the interface screen may then show that a total of 15m have traded in the continuing transaction and there are at least three bids for 11m units, 3m units in the priority position of the stack and 8m units in the non-priority positions, and at least one offer from Counter Participant "CT2" for 1m units in the third non-priority position of the stack. :

100.12 HIT 15 3 X __
5
3
1

The listing indicates that 15m units have traded in the trading session, PA3, the then priority participant, has priority to buy 3m more units in the priority trading position, RU2 has an order to buy 5m, and RU3 has an order to buy 3m units, each displayed according to the priority of the order, e.g., underneath each other. Since CT1 no longer has priority, there are no participants having trading priority on the seller's side of the trade and the offer side of the priority stack is left blank indicating as such. The priority trading session may at this point end or priority trading may continue with priority given to the remaining participant. In the later instance, the next contra participant's position in the stack, e.g., the third non-priority position, may be used to satisfy unfilled orders in the priority position. The counter participant may similarly be given priority as discussed herein thereby elevating the non-priority participant to current or priority participant status.

[0058] For example, if CT2 sells 1m units, the interface screen may display the stack as follows:

100.12 HIT 16	2	X__
	5	
	3	

The listing shows that 16m units have traded in the extended transaction, PA3 has a bid for 2m more units in the priority position of the stack, RU2 has bids for 5m units in the first non-priority position, RU3 has bids for 3m units, each listed in order of priority. The offer side of the priority stack is blank to indicate that there are no further sellers or trading priority on the seller's side of the trade. PA3's priority acquirer tally accrues to 4m. Although the above examples are expressed in terms of being displayed on an interface, it is understood that the trading system may track the relevant positions and tallies for the trading session as discussed herein and store the data for later use or display.

[0059] At this point in the example, i.e., the end of the trading session, PV1 had a priority vendor tally of 10m units the end of his trade. As a result of transferring PV1's priority to PA3, PA3 was able to trade 4m units in additional volume that PA3 would not have accomplished without acquiring priority from PV1. Thus, PV1 may receive a discount applied towards the brokerage or trading fees that PV1 would otherwise pay for the 10m units or only toward 4m units and not on 6m. That is, the discount provided for PV1's priority may be limited by the priority acquirer's tally, which in the example discussed above is only 4m units. PA3, on the other hand, may pay extra brokerage or trading fees for the quantity traded as a result of the priority acquisition from PV1, in this instance 4m units, the entire volume traded by PA3. Alternatively, PA3 may pay slightly more in price for his volume traded, in the form of price improvement as disclosed in U.S. Patent App. No. 10/678,582, which is incorporated herein by reference in its entirety.

[0060] Priority trading as disclosed herein may be applied to other types of electronic trading systems, including automated systems for matching, e.g., market maker, professional trader, and public customer, orders and quotations on, e.g., a securities exchange. A market maker may be a professional user of an exchange with certain duties to maintain a bid and an offer in a security, either during certain periods or when required to do so ad hoc by trading system prompts.

[0061] A professional trader may be a trader with the same professional status of a market maker, but without any responsibilities towards maintaining liquidity on the exchange.

[0062] A public customer may be a non-professional or semi-professional investor user of the trading system, or indeed anyone other than a market maker or a professional trader. In the automated order matching system, new incoming order may be executed with priority going first to particular trader's orders, e.g., first to public customer orders and then against market maker and professional trader orders and quotations. The distribution or priority of the incoming order with respect to the market maker and professional trader orders and quotations may be on a pro rata basis based on the size of the market maker and professional trader orders or quotations. An

automated system for matching previously entered orders and quotations with incoming orders and quotations on an exchange for securities is described in detail in U.S. Patent No. 6,618,707, which is incorporated herein by reference in its entirety.

[0063] In some embodiments of this system, a specialist (who may be responsible for maintaining an orderly market and providing liquidity and who may accept orders, establish prices for a particular series of options and allocate trades among market professionals), may receive a relatively higher portion of the pro rata order volume, e.g., in return for accepting the aforementioned responsibilities, specialists oftentimes are assured minimum participation rights in the trading activity that occurs in the pit. For example, the "sell" or "offer" side of the trading book may be characterized in part by a public customer offer of 10 contracts at a price of 3½, a primary market maker, e.g., a specialist, offers 20 contracts at 3½, and a professional trader offers 5 contracts at 3½. Thereafter, an order to buy 30 contracts at 3½ may be sent to system for bid matching/allocation among matching counter orders. The bid matching system may match/allocate and execute 10 contracts with the public customer order to sell 10 contracts at 3½ because public customer orders may be matched first. The bid matching system may then determine that there are 20 contracts of the incoming order remaining.

[0064] In order to match the remaining portion of the buy order with the remaining offers, a predetermined number may be established called the primary market maker ("PMM") small order preference size. If the size of the original order is less than the PMM small order preference size, then a PMM may trade for the remaining portion of the buy order. In some embodiments, after the public customer orders are matched, the bid matching system may then determine that the original size of the incoming order was greater than the PMM small order preference size, thereby allowing the remaining 20 contracts to be traded according to an allocation algorithm.

[0065] According to this example, a determination may be made that there is one professional trader along with the PMM at the best offer price. The remaining incoming order of 20 contracts may be allocated such that the PMM receives the greater of either a predetermined percentage, e.g., 60%, of the incoming order (12

contracts in this example), or the percentage of the PMM's order with respect to the entire outstanding order with which the incoming order matches. According to this example, the PMM's may be entitled to trade 16 of the remaining contracts because the PMM has 80% (20 of the 25 total orders for the professional trader and the PMM) of the offered contracts at the best price.

[0066] The PMM therefore, in some embodiments of this electronic trading system, may have priority with respect to a certain portion of incoming orders over and above other trading participants. Similarly, it can be seen that certain trading participants have priority above other participants. For instance, public customers have priority over the market maker and the professional trader. In this respect, the priority in the automated system may be vended or otherwise traded from priority vendors having priority to one or more priority acquirers as disclosed herein. Thus, private customers or the PMM may accept a lesser proportion of their orders being executed thereby vending priority to a participant having lesser priority, such as the professional trader, also with a subsequent re-adjustment of brokerage or trading fees.

[0067] Similarly, priority trading as disclosed herein is applicable with trading systems that simply apply priority based on price and time. These systems generally match orders in a sequence in which orders are matched first according to best price, and, when two orders have the same price, according to the earliest timestamp an order is given as it is received by the trading system. Orders at the same price may be matched oldest first, however, sponsoring traders who are supporting the trading system may add orders to help liquidity without necessarily , being interested in actually trading those orders. Such sponsoring traders and the trading system provider may prefer that other traders trade before the sponsoring traders or market makers irrespective of order timestamps. Thus, the sponsoring trader may transfer its priority to others traders. Sponsoring traders may have a particular trading account that is set up to vend time priority to other traders having orders pending at the same price and on the same side (buy or bid; sell or offer). Monetary adjustment in the form of (but not limited to) brokerage or trading fee adjustments may be applied as disclosed

herein, whereby the sponsoring trader may receive trading fee or brokerage reductions on trades in exchange for giving up trade opportunities to other traders.

[0068] In yet another type of trading system, orders at the best price are matched according to a pro rata-sharing algorithm. In these trading systems, sponsoring traders who are supporting the trading system by adding orders to help liquidity may also not be particularly interested to trade, and the sponsoring traders and the trading system provider may prefer to vend priority acquired by the sponsoring trader in accordance with the pro rata-sharing algorithm to other traders having lesser priority at the same price and on the same side (buy or bid side; sell or offer side). The trading system may also be applied to these trading algorithms to redistribute volume or quantity available to trade to those traders who need or desire it most. Monetary adjustment in the form of (but not limited to) brokerage or trading fee adjustments may also be applied.

[0069] In still another type of electronic trading system, orders are in the form of what is commonly referred to as an RFQ (request for quote). In one embodiment of an RFQ system, an order entry dialog box ("OEDB") may provide the requesting trader with various options and entry fields. Using some of these options and entry fields, a trader may submit non-RFQ trade commands, e.g., standard trading commands, such as, a bid command, an offer command, a buy command, or a sell command for any suitable instrument. When the OEDB is activated, the fields in the OEDB may be populated with information pertaining to the instrument for which the RFQ is made. The instrument may be selected for inclusion into the RFQ in any suitable method. For example, the current market price for the instrument may populate the price and/or size field automatically, to allow a user to quickly arrive at their required price and size variables.

[0070] The OEDB may provide an RFQ preferences field. RFQ preferences field may be made available when the requesting trader selects an RFQ option from the OEDB. The field may provide a trader with an RFQ buy option, an RFQ sell option, an RFQ 2-way option, and an RFQ BOLS (Bid/Offer liquidity spread) option, as described below. The RFQ buy option and the RFQ sell option may provide the

requesting trader with the ability to submit an RFQ from a buyer position (they are looking to buy a certain size of the instrument and are requesting contra offer quotes to be shown) and an RFQ from a seller position (they are looking to sell a certain size of the instruments and are requesting contra bid quotes to be shown), respectively. One option may provide the requesting trader with an opportunity to submit an RFQ without establishing a direction of trade (a "2-way" request for quote whereby responders are invited to quote both a bid and an offer). This may allow the requesting trader to receive a bid price and an offer price from a market participant. One option may provide the requesting trader with the ability to specify a bid/offer liquidity spread, whereby the requestor is asking for a 2-way quote of a certain maximum bid/offer spread.

[0071] A minimum size field, a time limit field, a BOLS field, and a minimum number of prices field are fields that may be incorporated in an RFQ preferences field. The requesting trader may specify a minimum size for an instrument he or she is willing to buy or sell. By populating a field, the requesting trader may specify a time limit as to how long his or her RFQ is open for receiving a quote from a market participant. If the requesting trader desires to specify a bid/offer liquidity spread (BOLS), the requesting trader can specify the BOLS value (the maximum bid/offer price spread that responders should use if quoting) and select an option. When another field is populated, the requesting trader may have an opportunity to specify the minimum number of quotes to receive from a market participant in response to his or her request.

[0072] The OEDB may also provide a trade preference field. This trade preference field may be used to indicate the trader's preferred trade type and may allow the requesting trader to select any type of trade that a particular exchange or trading system supports.

[0073] The requesting trader may exercise a guarantee-to-trade (GTT) option in a 2-way RFQ market in which a price parameter and a BOLS parameter is provided. This is a trade type that may not currently exist in the marketplace. GTT may be, for example, an option provided in the trade preferences field. The GTT status of the 2-

way RFQ may be identified to the market participant in order to allow the market participant to be aware that the requestor promises that a trade will definitely be executed if he the responder meets the parameters set forth by the requesting trader.

[0074] The OEDB may also provide an auto-execution feature for an RFQ. The auto-execution feature, when selected, may be used to automatically respond to a market participant's quote. For example, if a quote satisfying the requesting trader's criteria for accepting the quote is received, an accept confirmation may be automatically transmitted from the requesting trader and the trade may be executed. Other various features for managing quotes received in response to an RFQ may be incorporated into the OEDB.

[0075] Selection Options and fields provided in the OEDB may be reconfigured to suit any requesting trader's needs and preferences, and reduce the time taken for users to quickly avail themselves of the trading system functionality in fast moving markets. The configure keypad option may provide the requesting trader with the ability to reconfigure the OEDB. The close-on-action box, when selected, may cause the OEDB to be automatically closed after specified actions are performed. The close option allows the requesting trader to close the OEDB on demand. In addition, an assignable issue buttons field may be provided to allow the requesting trader to have a specific set of instructions executed by the push of a single button. Issue buttons may be configured accordingly via the assign buttons option.

[0076] In some embodiments of an electronic trading system using RFQ style trading as outlined above, some responders may have priority with respect to a certain portion of incoming request for quote orders over and above the other responding trading participants. These responders may have responded earlier to a request for quote and be in line for matching first: both during an RFQ time period where the requestor may be awaiting more responding quotes, and at the end of an RFQ period where all quotes may be assembled and a requestor may trade (either by choice, or mandatory in the case of a "GTT" guaranteed to trade request). As many responders automatically respond to such request for quotes using computer models and programs, they may be relatively uninterested in trading with the requestor. Often in

request for quote trading, a successful responder suffers a "winner's curse" whereby the successful response trade is actually more often a losing one monetarily. Where a responder is in line to trade first alongside other responders at the same price, they may be relatively uninterested to actually trade and prefer to vend such time priority to a priority acquirer as discussed herein.

The "VEND" key

[0077] In many embodiments of the system and methods disclosed herein, participants not set up to vend or acquire priority as a default or automatically without any further action from the priority vendor or priority acquirer, respectively, may also be allowed to take advantage of priority vending on a per order basis. Where a user inputs a bid or offer, or buy or sell with the appropriate interface screen or otherwise, the user may be allowed to use a "VEND" key, which may be implemented in any suitable manner for the user to trade or acquire priority as disclosed herein, which may include a region on a display screen which can be activated by moving an indicator or pointer on the screen and pressing a button on a mouse to activate the button, or any type of keypad, mouse, trackball, Blackberry TM or any other suitable input device found on devices that allow the participant to input information to or select information displayed on the device to indicate the intention to vend priority. The vend key allows the priority vendor to send to the trading system and for the trading system to receive an instruction to vend or acquire priority as the case may be depending on the then status of the participant as either a current or priority participant having priority rights or a non-priority participant.

[0078] The "VEND" key may be used in a hit and lift system as described above by a passive or active current participant to become a priority vendor for that trade either (1) initially before the conditions for a trading priority exist, or (2) subsequently, after the conditions for a trading priority exist and the user has finished trading and would like to see if he could vend remaining trading priority.

[0079] Once priority is vended using the "VEND" key, the priority rules described above may continue in the same manner as if priority was vended by default.

[0080] In other trading systems, the "VEND" key may be used in the same style. A user may decide to vend priority on an ad-hoc basis even if not set up to do so by default.

[0081] The presence of the "VEND" functionality in a trading system allows trading algorithms to execute matching algorithms faster when it is used, and especially where monetary gain gives users an incentive to use it. At some points of many trading algorithms, trading is momentarily held up to await an expiry of a period of time allocated to allow a user to make a trading decision. Trading users can pre-determine their decision by pressing "VEND" to allow priority vending at order inception, or during the period of time by pressing "VEND" to allow immediate vending of priority thenceforth in that trade, where trading priority is either current to that user, or may become so during the progression of the trade matching algorithm. This allows for a trading algorithm to process technically faster, and increases the velocity of trading to allow more volume to be processed by the trading system for a given time.

[0082] FIG. 3 shows an electronic trading interface 300 for use in accordance with some embodiments of the methods and systems disclosed herein. Interface 300 enables participants to enter into the system bids and offers, or more generally orders, at select prices and volumes or quantities, for the item being traded. The interface includes a top line 301 (alternatively referred to herein as the touch line, or the headline.) Top line 301 includes a listing, as discussed above, that shows the status of the actual aggressed trade, e.g., the trade or trades in the priority trading session. Top line 301 may, alternatively or in addition, be adapted to include the price that should be or is initially aggressed to start a trade. In either case, top line 301 is typically located at the top of the display area for trading of a particular instrument. The display area may be hereinafter referred to as the "display". Top line 301 may include information regarding the item 302, the price of the item 304, the last trading action 305, the size traded 306, and the size on bid side of the priority stack and the size on the offer side of the priority stack for the current participants 307. Interface 300 also includes market depth information 310, which shows price and size for orders for the items that have not yet been traded consisting of bids numerically below and offers

numerically above the best headline or touch line price. The bids numerically above and offers numerically below are commonly known as the order book, or just the "book". Orders at the same price level as the active trade are similarly arranged based on time priority. Generally, orders in the order book are in non-priority positions in the stack and the listing shown in the top line includes the priority positions in the stack. In systems traded as yield, the bids would be numerically higher and the offers numerically lower than the best headline or touch line price. Also shown in interface 300 are bid and offer stacks 312 and 314, respectively. Bid and offer stacks 312 and 314 may indicate the size of the bid or offer for one or many market participants that are bidding or offering at the current headline price 304. Note that price 304 (shown as 100.132) in this exemplary example is shown in a traditional United States Government Bond pricing format.

[0083] In many embodiments of the invention, when priority becomes available during a trade, the system may flash a highlight or other indicia (see circle 316, which indicates a highlight as seen on one embodiment) over which side of the market (bid, buy or offer, sell) the available priority pertains to. The flashing may only be shown where priority becomes available for use, and may be either shown over the trade side (buy or sell) for which priority may be acquired for, or alternatively over the contra trade size over which priority may be acquired. The highlight may disappear when priority is acquired, or when priority is no longer available. The interface may include

[0084] If the first priority acquirer subsequently presses VEND after acquiring priority, any remaining priority may then pass to the next potential priority acquirer in line, if there is one. Thus the first priority acquirer may then become a priority vendor as well. In such circumstances, the following rules may apply:

[0085] The initial priority acquirer tally (as detailed above) may then be used as a second priority vendor tally pertaining to this priority acquiring customer who may subsequently vend remaining priority.

[0086] Where priority is passed to a second priority acquirer in this manner, a second priority acquirer tally may be recorded pertaining to this second priority acquirer.

[0087] Although the initial priority acquirer tally may dictate how much extra brokerage fees are available to pay the initial priority vendor, any subsequent second (or third, fourth, etc.) priority acquirer tally may also be used cumulatively as available monies for the initial priority vendor.

[0088] In one embodiment, when the initial priority vendor obligations as to brokerage or trading fee reductions are satisfied, further available priority acquirer monies may be made available to reduce the brokerage cost of subsequent priority vendors, i.e., those participants who were originally priority acquirers before pressing "VEND." This means that priority acquirers who press VEND (1) become eligible for a priority vendor's rebate on subsequent volume traded, (2) limited by the volume they executed, (3) and limited to the excess over and above the volume maximum priority vendor rebate to which the original vendor was entitled. Other suitable arrangements are also possible.

[0089] Thus, systems and method for vending and acquiring priority in electronic trading systems have been provided. It will be understood that the foregoing is only illustrative of the principles of the invention, and that various modifications can be made by those skilled in the art without departing from the scope and spirit of the invention.

What is Claimed is:

1. A system for trading an item comprising:

a server comprising:

a server storage device;

a server processor connected to the server storage device, the server storage device storing a server program for controlling the server processor; and

the server processor operative with the server program to match trade orders between a plurality of trading participants in accordance with a trading algorithm; and

the server processor further operative with the server program to provide trading priority to a trade order for at least one participant of the plurality of the participants in matching trade orders and to trade unused priority from the at least one participant to at least one other participant that acquires the unused priority and to provide to the at least one participant an incentive award for trading the unused priority.

2. The system for trading an item according to claim 1 wherein the trading algorithm is a hit/lift trading algorithm.

3. The system for trading an item according to claim 1 wherein the trading algorithm is for matching market maker, professional trader and public customer orders and quotations with incoming orders and quotations.

4. The system for trading an item according to claim 1 wherein the trading algorithm is a price and time priority trading algorithm.

5. The system for trading an item according to claim 1 wherein the trading algorithm is a pro-rata sharing trading algorithm.

6. The system for trading an item according to claim 1 wherein the trading algorithm is a request for quote trading algorithm.

7. The system for trading an item according to claim 1 wherein the server processor is further operative with the server program to output an indication of a trading priority available for acquisition.

8. The system for trading an item according to claim 7, wherein the server computer is coupled to a plurality of workstations over a communications network, each of the plurality of workstations operative to communicate with the server, each of the workstations comprising:

a workstation storage device;

a workstation processor connected to the workstation storage device, the workstation storage device storing a workstation program for controlling the workstation processor; and

the workstation processor operative with the workstation program to:

display transaction information to trading participants;

receive an indication of a trading priority available for acquisition and;

display an indication of a trading priority available for acquisition to the plurality of trading participants.

9. The system for trading an item according to claim 8 wherein the transaction information relating to the trading priority is displayed as an indication pertaining to a price and size available for trading.

10. The system for trading an item according to claim 8 wherein the transaction information relating to the trading priority is displayed as an indication pertaining to one of a bid, buy, offer or sell side for which priority may be acquired.

11. The system for trading an item according to claim 1 wherein the incentive awarded to the vendor is provided as a reduction in brokerage fees.

12. The system for trading an item according to claim 1 wherein the incentive awarded to the vendor is provided as a reduction in trading fees.

13. The system for trading an item according to claim 1 wherein the incentive awarded to the vendor is provided as a reduction in clearing fees.

14. The system for trading an item according to claim 1 wherein the incentive awarded to the vendor is sourced from a priority acquirer.

15. The system for trading an item according to claim 14 wherein the incentive sourced from a priority acquirer is provided as an increase in brokerage fees.

16. The system for trading an item according to claim 14 wherein the incentive sourced from a priority acquirer is provided as an increase in trading fees.

17. The system for trading an item according to claim 14 wherein the incentive sourced from a priority acquirer is provided as an increase in clearing fees.

18. The system for trading an item according to claim 1 wherein the vending of trading priority by the at least one priority vendor is by default.

19. The system for trading an item according to claim 1 wherein the vending of trading priority by the at least one priority vendor is implemented by said priority vendor sending an instruction to vend priority.

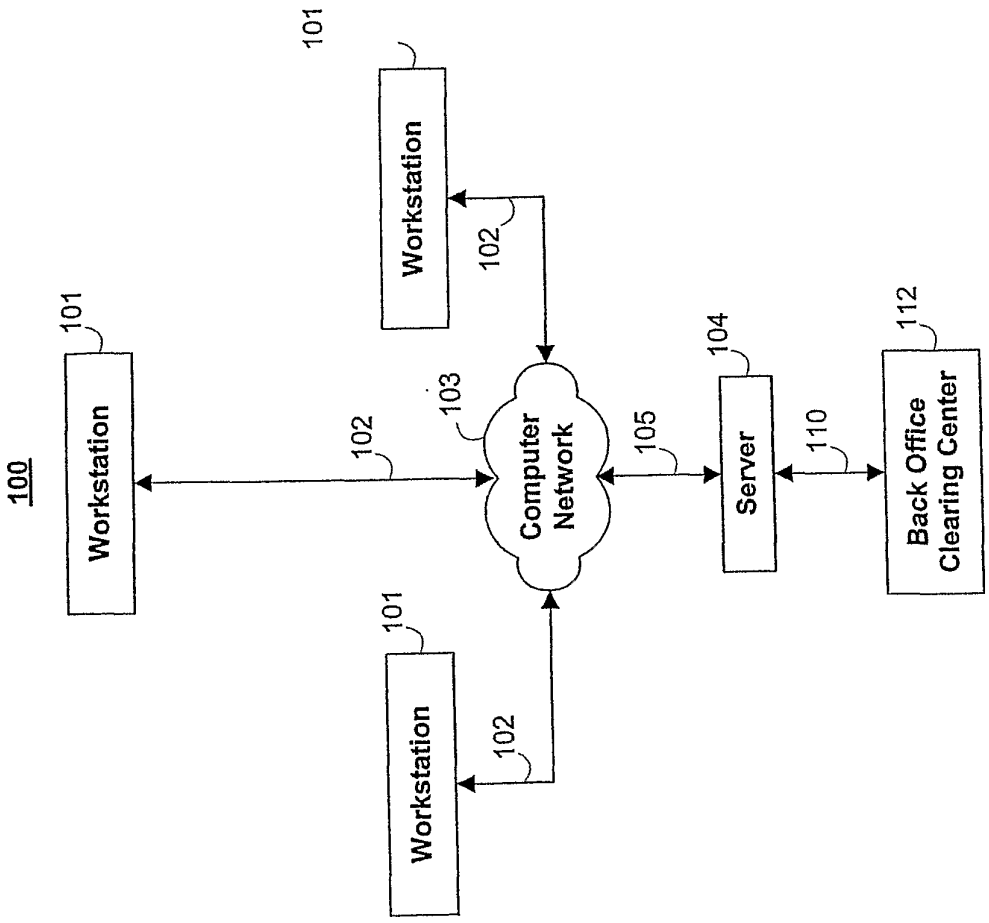
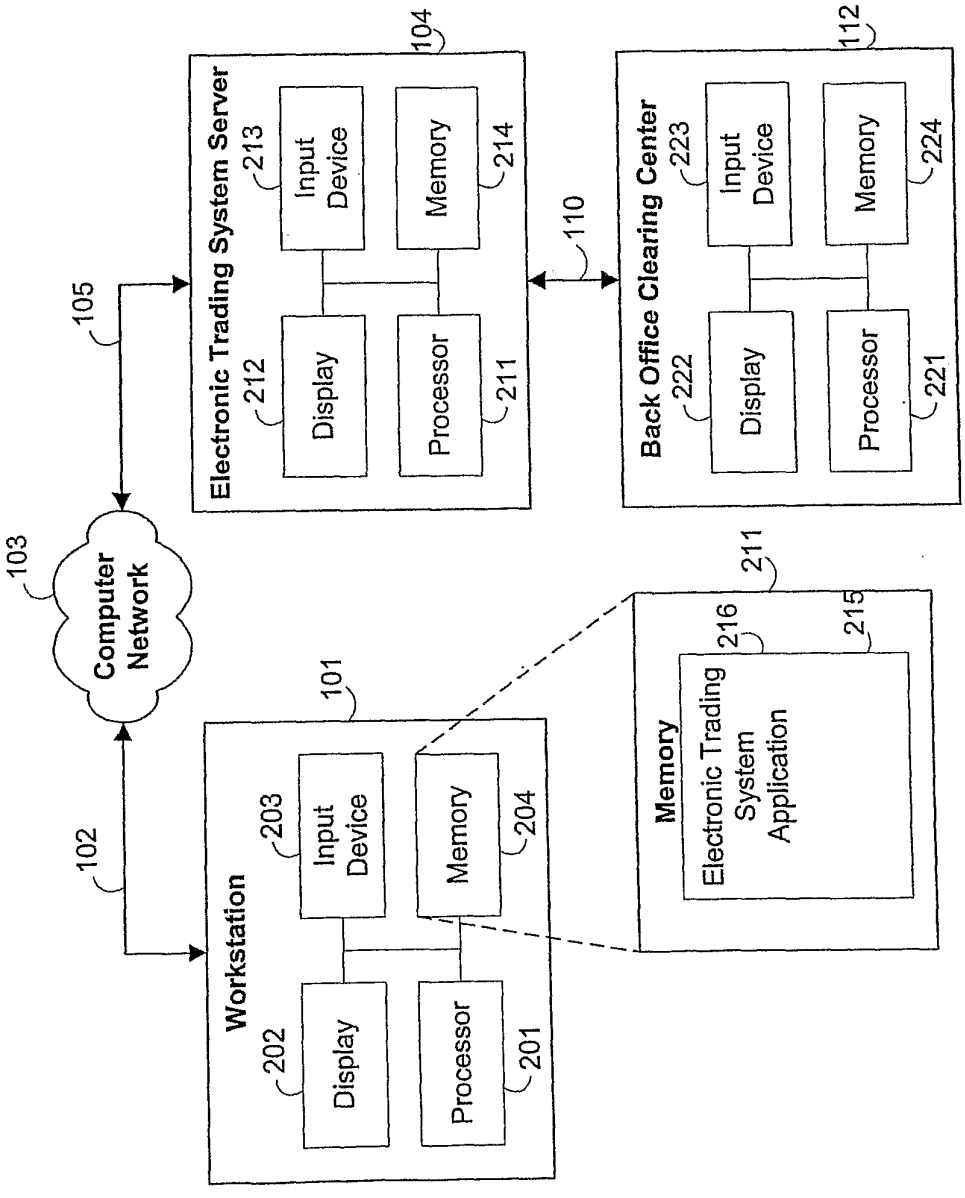

100
Workstation
101
102
Computer Network
103
Workstation
101
102
Workstation
101
102
105
Server
104
110
Back Office Clearing Center
112

FIG. 1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103
105
102
Workstation
101
Display
202
Processor
201
Input Device
203
Memory
204
Electronic Trading System Server
104
Display
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Processor
211
Input Device
213
Memory
214
110
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Memory
224
Memory
211
Electronic Trading System Application
216
215

FIG. 2

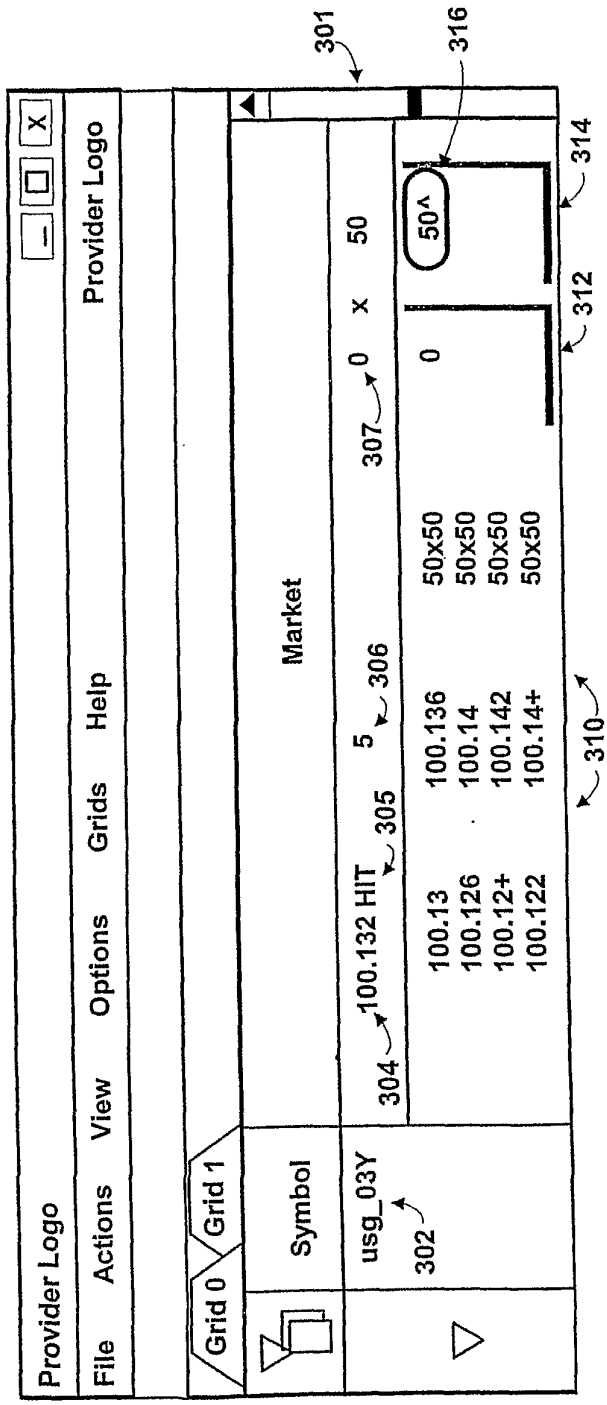
Provider Logo
File Actions View Options Grids Help
Provider Logo
Grid 0 Grid 1
Market
Symbol
usg_03Y
100.132 HIT
100.13
100.126
100.12+
100.122
100.136
100.14
100.142
100.14+
50x50
50x50
50x50
50x50
0 x 50
50^
301
302
304
305
306
307
310
312
314
316
300

FIG. 3