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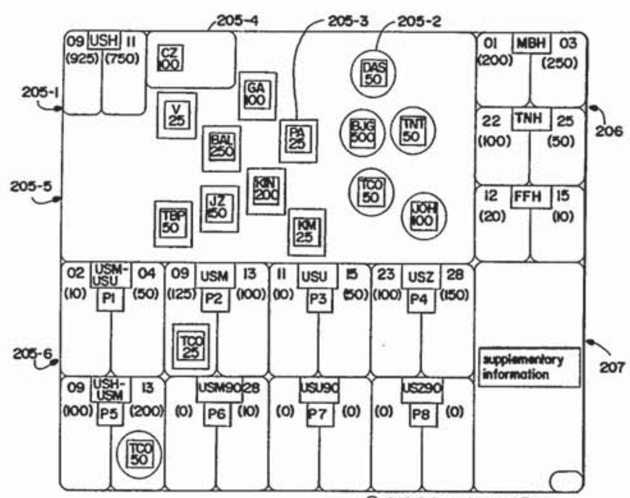

(57) Abstract

A method and apparatus for market trading is disclosed, the apparatus generally comprising a host processor and a plurality of user terminals in selective communication with the host. Each user terminal includes a selectively partitionable display (205-1,5,6, 206, 207) by which market information is conveyed to a participant. Among other features, the method involves the use of icons (205-2,3) for representing traders, each icon including information relevant to the commodity being traded. The method and apparatus are applicable to markets for trading commodities such as securities, securities options, futures contracts and futures options.

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SIMULATED LIVE MARKET TRADING SYSTEM

BACKGROUND

This application is a continuation-in-part of co-pending U.S. Patent Application Ser. No. 329,866, filed March 14, 1989 by the present inventors.

The present invention relates to computer-based techniques for replicating a physical market for trading items such as stocks, bonds, stock options, futures options, and futures contracts on commodities including agricultural products, financial instruments, stock market indices, and the like.

A futures contract is an agreement providing for the future delivery of a fixed quantity of a commodity under conditions specified by a federally designated exchange. In general, that contract is a firm legal agreement between a buyer and seller to make or take delivery of the underlying commodity and is cleared by a separate clearinghouse.

The futures exchanges house centralized auction markets (called designated contract markets) where standardized contracts, based on quantity and quality of commodity, are bought and sold, for future delivery, by open outcry. It is important to note that the exchanges themselves do not trade commodity contracts, nor do they set prices at which contracts are traded. They merely furnish a place where market participants and their brokerage representatives can meet to buy and sell commodity futures contracts.

Floor traders are generally classified in two ways (1) as speculators, or "locals" who buy and sell for their own accounts, or (2) as floor brokers, who fill orders for commission houses, producers and processors seeking to lock in a price for their products. A "local" can take long-term positions (i.e., weeks or months) or "scalp" over very short periods (liquidating positions within seconds or minutes of entering the transactions). He may trade in one or more pits. He benefits from the speed with which he can take or liquidate positions, but this is in itself no assurance of a profit. Some floor traders specialize in spreads by taking opposite positions between future or options when the price difference appears abnormal. Floor traders have the advantage of lower transaction costs available to all members of exchanges.

Some floor traders execute orders for others but seldom or never trade for themselves. These are brokers who may who may specialize in orders from customers such as commercial processors, exporters, financial institution commodity trading funds and the like. They may receive only a small percentage of the commissions paid by the customer to his commission house, but the commission revenues may be substantial depending on the volume of business. The orders held by a floor broker at any given time are referred to as his "deck." He is allowed to trade for his own account if he chooses, but can not use the public orders to benefit his own trading.

Trading generally takes place in a pit or around the outside of a ring. All orders received by member firms are transmitted to the exchange floor for execution and are filled according to bids and offers in the respective pits by open outcry to all members present at the time. Only one commodity is traded in a pit or around a ring unless the volume is too small to justify so much space. Customarily, those trading the same delivery month of a commodity gather in the same area of the ring or on the same step of the pit so that a broker with an order can locate the particular market as quickly as possible.

Whenever volume is high and price changes of a commodity are rapid, it is not uncommon for different prices to be bid and offered for the same delivery month in different parts of the trading area at the same time. These conditions might result in trades at prices that are never officially quoted or might cause an order to be marked "unable," even though the price on the order was well within the range of trading in that commodity.

Transactions on the trading floor must be reported to the membership and the general public. This is accomplished through a variety of communications systems by the various commodity exchanges. Transaction information is entered by exchange-employed market reporters in each

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