

Interactive Brokers Block Trading Desk

Kevin Fischer
Block Execution Services, Interactive Brokers



Disclosures

Options involve risk and are not suitable for all investors. For more information, read the "Characteristics and Risks of Standardized Options" before investing in options. For a copy call 203 618-5800.

In order to simplify the computations, commissions, fees, margin interest and taxes have <u>not</u> been included in the examples used in these materials. These costs will impact the outcome of all stock and options transactions and must be considered prior to entering into any transactions. Investors should consult their tax advisor about any potential tax consequences.

Any strategies discussed, including examples using actual securities and price data, are strictly for illustrative and educational purposes only and are not to be construed as an endorsement, recommendation or solicitation to buy or sell securities. Past performance is not a guarantee of future results.

Supporting documentation for any claims, comparisons, statistics or other technical data will be supplied upon request.

Most spreads and all uncovered strategies must be effected in a margin account. Multiple leg strategies, including spreads, straddles and strangles will incur multiple commission charges.

Interactive Brokers LLC is a member of NYSE, FINRA, SIPC



Contact Information

To discuss how IB can help service your option trading needs, please contact me on our trading desk at (203) 618-8079, or via email at

optiondesk@interactivebrokers.com

Kevin Fischer
Block Execution Services
Interactive Brokers LLC
203-618-8079

Trading Desk Overview



Products
Value Added Services
Order Types
Trading Scenarios
FAQs

Why Use a Voice Broker?



Information

Market Color

- Nuances
- Inventory, working orders
- Other trades, names & trading bias
- Position tracking

Staffing Issues

Lack of Access

Vacation, travel

Price Improvement

Hidden Liquidity

Products



☐ SPX, OEX, & NDX Index Options

- Tighter markets and increased access to liquidity not available electronically
- Real time quotes increase the opportunity for price improvement before exposing an order
- Instant access to live markets from the pit
- Significant price improvement
- Data lag i.e. Fast markets and new expiration cycles

☐ Multiple listed equity options

- Liquidity
- Price Improvement
- Complex orders , I will discuss specific examples of these orders later
 Spread orders eliminate the risk of getting an execution on only one leg

Value Added Services



- Build relationships with non-electronic liquidity providers (PIP, fill-in size)
- Single contact at IB (with direct phone access for regular customers, strengthen relationships; we act as another set of eyes & ears to watch order flow & news, help solve problems but not a help desk.)
- We will watch the market activity, monitor prices, & work the order for you when away from office, on vacation, busy with other tasks.
- Price Improvement is always our goal.
- Spreads pre-trade quotes for size, no leg risk to you
- Staged orders for institutional traders, portfolio managers

Value Added Services



Liquidity

- Penny option books tight markets can mask 'real' liquidity; where is the size market?
- Customers who need more than the displayed size, but do not want to expose an order for fear of moving the market
- Access liquidity not available electronically
 - via our relationships w/ other liquidity providers (MMs, Hedge Funds, Agency desks)
 - RFQ process
 - Verbal quotes
 - Interact with other IB customer order flow
 - Cross trades

Value Added Services



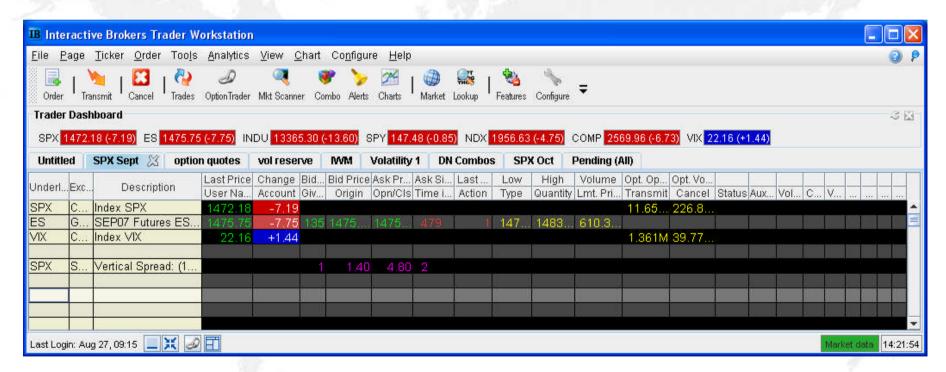
Price Improvement

- ☐ Possibility for better prices than NBBO, especially in large cap names
- ☐ Penny trades in non-penny names
- ☐ What-if, show me trades
- ☐ Dynamic IOIs before committing an order
- ☐ Price improvement is spreads & complex orders
- ☐ Realistic expectations

SPX verbal price discovery

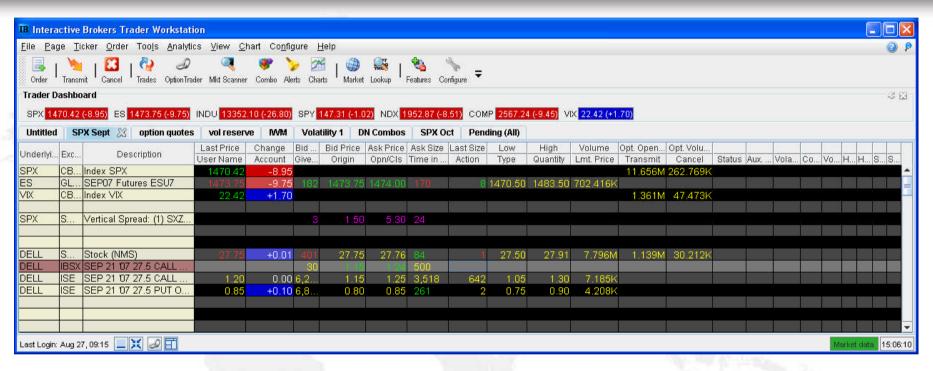


- ☐ Displayed markets typically \$2 wide
- ☐ Verbal Markets usually .50 wide or better
- ☐ Below vertical was \$3.00-3.40 for 1000 up



Electronic RFQ in Dell





- □ NBBO is 1.15-1.25, RFQ betters NBBO by offering 500 at 1.24
- ☐ RFQ not available to customers
- □ RFQ in delta-neutral ES soon available; IB will be the only broker to offer this, and it will be available only through the block desk

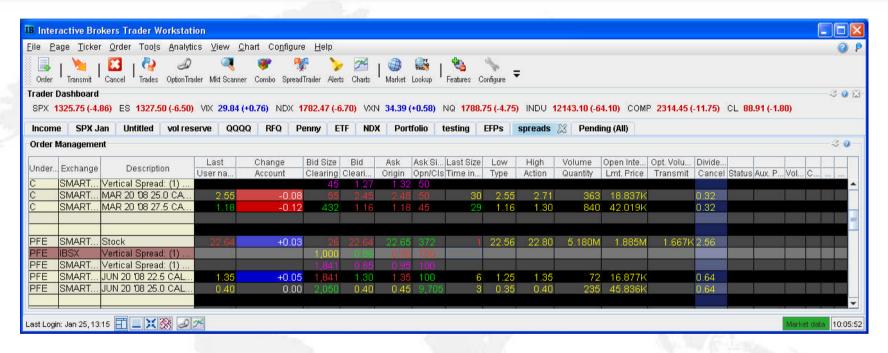
Order Types



- ☐ Outright options
- ☐ Option-Option spreads
- ☐ Other Ratios
- ☐ Stock-tied Options Orders (no fees for stock legs)
 - Delta-neutral
 - Synthetics (1:1)
- Crosses
 - 500 contracts or more in ISE listed books
- ☐ Staged orders
 - Financial Advisors, Hedge Funds, and Institutions

Equity Option Spreads



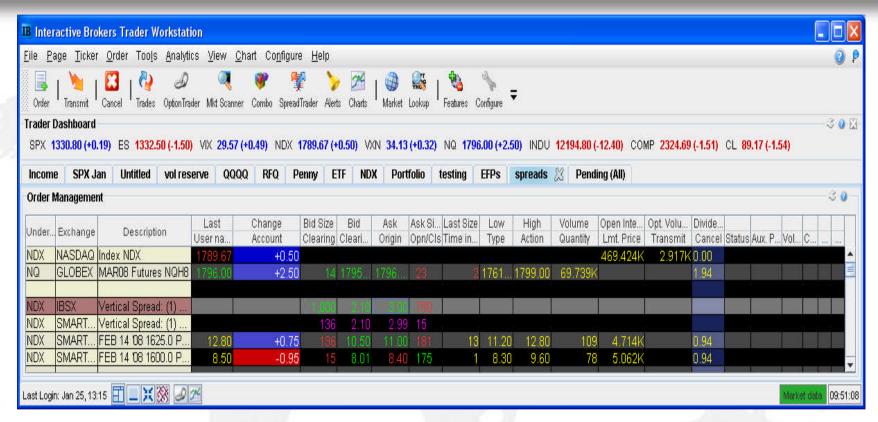


Citigroup June 22.5/25 call spread

- □ NBBO is .85-.95, ~1800 x 100
- ☐ IB inside quote is .86 bid for 1000, 750 offered at .95

NDX Spread





NDX Feb 1600/1625 put spread

- ☐ NBBO is 2.10-2.99, size is only 136x15
- ☐ IB's Option Desk inside quote is 2.10 bid for 1000, 750 offered at 3.00

Staged orders



- ☐ Wholesalers and trading desks often flag certain orders, such as large size or complex so that these electronic orders drop to manual handling on the desk. The desk then releases the order electronically or has a voice broker execute for him.
- ☐ IB now offers this service for customers with a TWS or an OMS on their desk, or those with CTCI connections.

Miscellaneous Notes



- ☐ Show list of equity options available
- ☐ 100 contract minimum to use the trading desk
- ☐ Fees are usually .25 more than base rates; quotes are free and no ticket charges ever apply
- ☐ We provide execution services, but do <u>not</u>
 - Give trading advice
 - Risk/margin management
 - Fix technical problems

Typical Customers



☐ High net worth individuals ☐ Hedge Funds ☐ Portfolio Managers ☐ Agency desks ☐ Financial Advisors ☐ European/Asian traders in non-US time zones □ SPX, OEX, NDX traders ☐ Spread traders □ CTAs that trade large size E-mini (ES, ER2) options

FAQ's



- 1. How do I access the desk?
- 2. Where do you get the markets from?
- 3. Is this available to advisor accounts?
- 4. Is this US products, options only?
- 5. Can I do stock-tied orders?
- 6. How do I communicate?
- 7. Can I get quotes w/o trading?
- 8. Do you provide market color?
- 9. What about futures markets?
- 10. How long does it take to get a market and execution?

Contact



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