IRESS TRADER

CONTINGENT ORDERS

August 2012

CONTENTS

The following information describes the functionality and uses for contingent orders. This is not a trading guide nor a recommendation for the use of contingent orders. Examples are theoretical in nature, for the purpose of explanation only.

CONTINGENT ORDERS (CO)

There are two main types of orders available on your trading platform:

- market orders
- contingent orders.

Market orders are orders created and sent to the market ready to trade.

Contingent orders sit 'outside' the market, and are used to create market orders when certain defined conditions are met.

Contingent Order Conditions

The conditions of a contingent order are typically based on the market price of a security. In the case of IF DONE contingent orders they can also be contingent on whether a market order trades.

Contingent orders are used to:

- Create market orders when the price of a security reaches a pre-defined level
- Pre set stops and targets for market orders at the time of placing a market order
- Manage open positions (for example by using a trailing stop with a trailing contingent order).

In their simplest form, (FIXED Contingent Order) the price is the condition to trigger the fixed contingent order and create a market order.

CONTINGENT ORDER TYPES

The following contingent order strategies are available:

- Fixed Contingent order (Fixed CO)
- One Cancels Other (OCO)
- Trailing Contingent Order (Trailing CO)
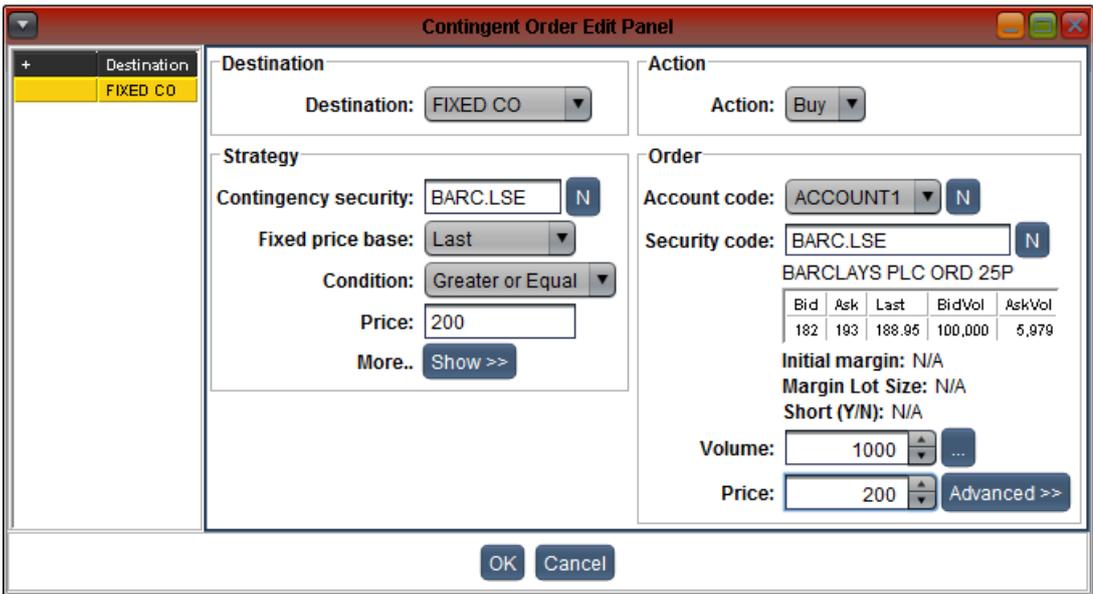- If Done Contingent Order (If Done CO).

Fixed CO

Fixed COs let you set a price level for a specific security (contingent security) and provide the details of a market order (security, price, price instruction etc.) that you would like created should the price condition specified be met.

The Fixed CO triggers when the contingent security price level criteria is met and creates a market order based on the details you provided.

Fixed COs provide a strategy to:

- Open a position when price of a security reaches a pre-defined level

- Create a stop or limit, where a market order is created to close an open position when a security's price reaches a certain level.

Fixed COs are used as basic building blocks for more complex contingent orders such as One Cancels Other and If Done contingent orders.

Scenario: Fixed CO	
Strategy	Buy 1000 Barclays PLC (BARC.LSE) (open a long position) if the price the security trades at is 200 or higher.
Action	Create a Fixed CO with strategy or trigger set for when the price of Barclays PLC (BARC.LSE) is greater than or equal to 200.
Result	When the price of Barclays PLC (BARC.LSE) exceeds 200 a market order is sent, if the Fixed CO is triggered, to buy 1000 Barclays PLC (BARC.LSE) at 200.

Trailing CO

The trigger price of a trailing contingent order changes to follow, or trail, the price of a security as the market moves in favour of a position you have opened. This strategy could also be used to take advantage of a reverse in market trend to open a new position.

Trailing COs can recalculate the trigger price upwards in the case of a trailing stop loss on an open bought (long) position, or downwards in the case of a trailing stop loss on an open sold (short) position

The trigger price of a trailing CO only moves in one direction, that is it will follow price as it moves in favour of an open position, but will remain set if price moves against a position.

Stop loss

Trailing COs are typically used to apply a trailing stop loss.

For example, for a buy (long) position, when the security's price rises to a certain level and then begins to fall, the trigger price level of the trailing stop will rise with price, but remain unchanged as price falls. If market price continues to fall and reaches or falls below the calculated trigger price, a market sell order is created to close the open long position.

Trailing stops can also be used for open short positions, where a trailing CO recalculates the trigger price downwards, and creates a market buy order if triggered, to close an open short position.

The market order should be set as price type Market or similar, to create an order at the current market price at the time the contingent order is triggered.

Trailing Offset and Trailing Step

Two important concepts when placing contingent orders are trailing offsets and trailing steps. These two values determine when a trailing trigger price will be recalculated and where the stop will be moved to in relation to the current price.

Trailing step is the unit or percentage movement that will cause the trailing price to be reset or recalculated. Trailing offset is the number of units or percentage where the user would like the stop to be set from the current price. If trailing step is not specified such as is the case with the orders entered from the create order ticket then trailing step will default to being equal to the trailing offset.

For example, if trailing offset is 10 units and no trailing step was entered. Then the stop price will be updated to 10 units away from market every time the market moves by 10 units from the previous stop price.

Scenario: Trailing CO	
Strategy	Place a trailing stop loss on a current 1000 Barclays PLC (BARC.LSE) long position, 10 points below current price.
Action	Create a trailing CO with the strategy, or trigger, set to trail or follow the market price of Barclays PLC (BARC.LSE) with a trailing offset of 10 points below and a trailing step of 10 points.
Result	When trigger price is reached the CO will be triggered and a market order will be sent to sell 1000 Barclays PLC (BARC.LSE) (close the long position) at the prevailing market price.

One Cancels Other

A One Cancels Other (OCO) order uses two contingent orders with different trigger conditions.

The contingent orders that an OCO uses can be either a Fixed CO or a Trailing CO.

Fixed COs can be used as set profit taking orders or stop loss orders, and trailing COs are often used to provide a trailing stop.

When either contingent order triggers, the other contingent order is automatically cancelled.

OCO orders can be used for the strategy of creating both a profit target and a stop when a market order is placed.

Scenario: One Cancels Other	
Strategy	You bought 1000 Barclays PLC (BARC.LSE) at the price of 190. (A market order has traded and you have an open long position) Your strategy is to buy Barclays PLC (BARC.LSE) at this price, expecting that the security's price will rise.
	If the price of Barclays PLC (BARC.LSE) falls to 170 you want to close or cover the position to prevent further losses. You may choose to use a market type price instruction when leaving a stoploss in case the market trades through your stop level to ensure you don't miss the market.
	If the price of Barclays PLC (BARC.LSE) rises to 210, you want to close the position in profit.
	When either of the stop loss or take profit conditions is met then the other order will be automatically cancelled.

Scenario: One Cancels Other

Action

To execute this strategy you need a stop loss order at 170, and a take profit order at 210.

Set the stop loss order

The first contingent order is set as a stop loss order using a Fixed CO.

- The trigger condition or strategy is that the security price of Barclays PLC (BARC.LSE) trades less than or equal to 170.
- The market order to be sent if the CO is triggered is to sell 1000 Barclays PLC (BARC.LSE) at 169 to close out the long position.

Set the Take Profit order

The Second contingent order is set as a profit target order using a Fixed CO.

- The trigger condition or strategy is that the security price of Barclays PLC (BARC.LSE) trades greater than or equal to 210
- The market order to be sent if the CO is triggered is to sell, or close out the long position at 210.

Result

- When either trigger condition is meet the market order associated with the contingent order will be sent to market and the other contingent order will be cancelled. If Barclays PLC (BARC.LSE) reaches a last price of 210 then a market order will be sent to sell, or close out the long position at 210 and the order to sell 1000 Barclays PLC (BARC.LSE) at 169 will be cancelled.

- If Barclays PLC (BARC.LSE) reaches a last price of 170 then a market order will be sent to sell, or close out the long position at 169 and the order to sell 1000 Barclays PLC (BARC.LSE) at 210 will be cancelled.

If Done CO

If Done COs are placed as part of a market order and depend on the market order trading.

When the market order partially or fully trades, the contingent orders become active.

If Done COs enable strategies such as applying stops and/or profit targets to a market order at the time of market order creation.

An If Done CO can be configured using a combination of fixed, trailing and OCO orders.

Scenario: If Done order	
Strategy	Using the strategies outlined in the previous examples: ▪ The strategy is to buy 1000 Barclays PLC (BARC.LSE) at 200 if it rises to this price. ▪ A trailing stop loss is to be set 10 points below the current price ▪ Profit to be taken at 220.
Action	The complete If Done contingent order contains: ▪ A Fixed Co, to trigger the initial market order ▪ A One cancels Other (OCO order) containing: · a trailing stop (Trailing CO) · a Profit target (fixed CO). The Fixed CO is set to create an initial market order for 1000 units if Barclays PLC (BARC.LSE) trades at 200.

IRESS Trader | Contingent Orders Simplified
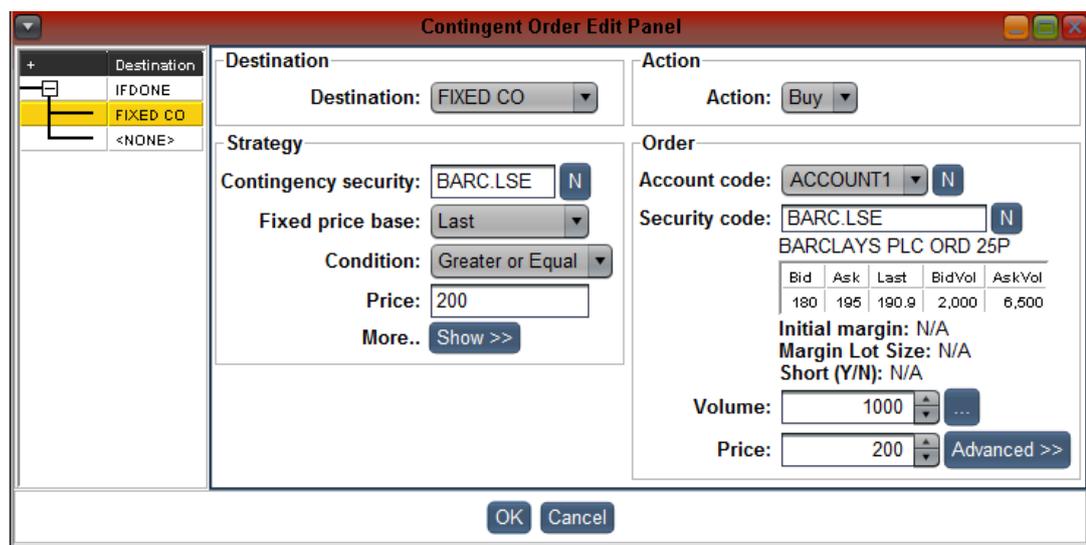
Scenario: If Done order	
Action	The OCO section provides a trailing stop and a profit target.
	Trailing stop:
	Profit Target:
Result	If Barclays PLC (BARC.LSE) order to Buy 1000 shares at 200 is filled or partially trades then the OCO leg of this order will become active. Should the price then fall to a level that triggers the trailing CO then an order will be sent to sell 1000 Barclays PLC (BARC.LSE) at the prevailing market price and the order to take profit will be cancelled.
	If the market should rise to be greater than or equal to 220 then order will be sent to sell 1000 or partially filled volume Barclays PLC (BARC.LSE) at the prevailing market price and the trailing stop loss order will be cancelled.

If Done orders from Create Order tickets

The create order tickets includes an **If Done** section.

Information you type into this **If Done** section is used to create an If Done CO with either a Trailing Stop, or set Take Profit and Stop Loss.

IRESS Trader | Contingent Orders Simplified

Scenario: Profit Target/Trailing Stop contingent order combination initiated from the Create Buy Order function

Strategy	Create a market buy order for Barclays PLC (BARC.LSE) at the current market price of 190, with set stop loss at 170 and profit target at 210 using contingent orders built from the **Create Buy Order If Done** function.
Action	Using the if done section of the Create Buy Order function, you complete the details to create a market buy order coupled with an If Done CO that provides both a stop loss which will trigger at 170 and a take profit target will trigger at 210.

After clicking **Buy**, the application provides a confirmation dialogue describing the parameters of your market order and contingent orders.

Scenario: Profit Target/Trailing Stop contingent order combination initiated from the Create Buy Order function

Confirm Order

Buy BARC.LSE
1,000 units at 1.90
Value 1,900
Stop Loss: Last price < or = 170
Sell at Market
Take Profit: Last price > or = 210
Sell at Market
OK ?

[OK] [Cancel]
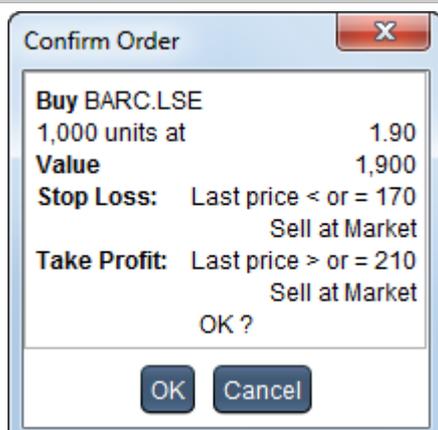
Confirm the order by clicking **OK**.

Once entered and confirmed, the contingent orders can be viewed in the Order Pad.

Order Pad [Current Orders for ACCOUNT1]

Account code: ACCOUNT1 ▼ N 🔧 Today ▼ All orders ▼

+	SecCode	Exch	Dest	B/S	OrdVol	OrdPrc	PrcInstr	LastAct	CO Status	ActStat	RemVol	Ccy	CreateTime
	BARC	LSE	IFDONE	U	3000	190		CREATE	Active	OK	3000	GBP	21-Aug-2012 17:45:52
	BARC	LSE	AUTODESK	B	1000	190	Limit	CREATE		OK	1000	GBP	21-Aug-2012 17:45:52
	BARC	LSE	OCO	U	2000	190		CREATE	Pre-Active	OK	2000	GBP	21-Aug-2012 17:45:53

Order Pad [Current Orders for ACCOUNT1]

Account code: ACCOUNT1 ▼ N 🔧 Today ▼ All orders ▼

+	SecCode	Exch	Dest	B/S	OrdVol	OrdPrc	PrcInstr	LastAct	CO Status	ActStat	RemVol	Ccy	CreateTime
	BARC	LSE	IFDONE	U	3000	190		CREATE	Active	OK	3000	GBP	21-Aug-2012 17:45:52
	BARC	LSE	AUTODESK	B	1000	190	Limit	CREATE		OK	1000	GBP	21-Aug-2012 17:45:52
	BARC	LSE	AUTO_TRADE	B	1000	190	Limit	CREATE		OK	1000	GBP	21-Aug-2012 17:45:53
	BARC	LSE	OCO	U	2000	190		CREATE	Pre-Active	OK	2000	GBP	21-Aug-2012 17:45:53
	BARC	LSE	FIXED CO	S	1000	MKT	Market	CREATE	Pre-Active	OK	1000	GBP	21-Aug-2012 17:45:53
	BARC	LSE	FIXED CO	S	1000	MKT	Market	CREATE	Pre-Active	OK	1000	GBP	21-Aug-2012 17:45:53

Result	If Barclays PLC (BARC.LSE) order to Buy 1000 shares at 190 is filled or partially trades then the OCO leg of this order will become active. Should the price then fall to be less than or equal to 170 an order will be sent to market to sell 1000 Barclays PLC (BARC.LSE) at the prevailing market price and the order to take profit will be cancelled. If the market should rise to be greater than or equal to 210 then order will be sent to sell 1000 or partially filled volume Barclays PLC (BARC.LSE) at the prevailing market price and the stop loss order will be cancelled.

Scenario: Trailing Stop initiated from the Create Buy Order function

Strategy	Create a market sell order for Barclays PLC (BARC.LSE) at the current market price of 190, with trailing stop loss at 5% below the current market price.
Action	Using the If Done section of the Create Sell Order function, complete the details to create a market sell order coupled with an If Done CO that provides a trailing stop loss at 5% of the current order price.

Result	If the market order at 190 is filled then the order to close this order should it fall by 5% will become active. If the market were to fall to this trigger point then an order would be sent to sell 1000 Barclays PLC (BARC.LSE) at market.

CREATING CONTINGENT ORDERS

You create contingent orders using the Contingent Order Edit Panel, accessed from either the Order pad (**Orders** menu **> Order Pad**) or the Contingent Order Pad (**Orders** menu **> Contingent Order Pad**)

Order Pad

- Right click on a detail line and select Create Contingent Order to open the Contingent Order Edit Panel and create a contingent order for an existing market order.

- Right click on a blank area of the Order Pad to open the Contingent Order Edit Panel and create a new contingent order.

Contingent Order Pad

- Right-click on a detail line and select Create Contingent Order to open the Contingent Order Edit Panel and edit an existing contingent order.

- Right click on a blank area of the Order Pad Create Contingent Order to open the Contingent Order Edit Panel and create a new contingent order.

- Click the **+ Add** button to create a new contingent order.

- Click the **Edit** button to edit a highlighted contingent order.

The Contingent Order Edit Panel

Section	Description
Order Tree	The order tree is the leftmost panel. The order tree displays the contingent order type(s) that make up the contingent order, and is useful for more complex contingent orders such as OCO and If Done contingent orders.
Destination	Defines the type of contingent order: ▪ Fixed Contingent order (Fixed CO) ▪ One Cancels Other (OCO) ▪ Trailing Contingent Order (Trailing CO) ▪ If Done Contingent Order (If Done CO).
Strategy	Used to set the trigger conditions for a contingent order.
Action	Used to set the type of market order (buy or sell) created when the contingent order is triggered.
Order	Used to set the details of the market order created when the contingent order triggers.

More Information

For details on how to set and fill fields in the contingent edit order panel, refer to the online help topic: "Create Contingent Orders in the Contingent Order Edit Panel".

THE CONTINGENT ORDER PAD

The Contingent Order Pad provides a list of contingent orders created for an account.

Dialog bar functions

Filters

Use filters to set the contingent orders you want to view. You can filter by:

▪ account

▪ the status of the contingent order (all, triggered ,deleted, pre-active)

▪ the time period you want to view information for

▪ the status of market orders associated with contingent orders.

Buttons

Add	Open the Contingent Order Edit Panel to create a new contingent order.
Delete	Delete the selected contingent order.
Edit	Modify the selected contingent order.

FURTHER INFORMATION

The online help for your trading platform contains detailed information about contingent orders.

You access the help from the **Help** menu, normally displayed as the rightmost option in the menu bar of your trading platform.

1. Click **Help**. A new browser window opens with the help displayed.

2. Select Contents to view a list of help subjects.

3. Click Topic Help to expand the detailed help topic subjects, then choose **Trading** > **Contingent Orders** to view instructional topics about contingent orders.