Interactive Brokers

Balance Impact and Risk Algo

Objective

To balance the market impact of trading the option with the risk of price change over the time horizon of the order. This strategy considers the user-assigned level of risk aversion to define the pace of the execution, along with the user-defined target percent of volume.

User Inputs

Max Percentage of Average Daily Volume
Urgency/Risk Aversion Level

Get Done
Aggressive
Neutral
Passive

Attempt Completion by EOD checkbox

Important Points

The max percent you define is the percent of the total daily options volume for the entire options market in the underlying.

The level of trade urgency determines the pace at which the order is submitted over the day.

A higher urgency executes the order more quickly, opening it to greater market impact; a lower urgency allows the order to fill over time and incur less market impact.

Note that the algo uses a randomization feature to keep the algo hidden, and by default always attempts to execute quickly. The *Urgency/Risk Aversion* selections are driven by the size of the order; it is designed for orders that will impact a high percent of the Average Daily Volume and its mechanism may be insignificant for smaller orders.

If *Attempt Completion by End of Day* is checked, we will try to complete the order today. Please note that we may leave a portion of the order unexecuted if the risk of the price changing overnight is less than the extra cost of executing the whole order today.

Products		Availability		Routing		TWS	
Options	☑	US Products	☑	Smart	☐	Attribute	☐
		Non-US Products	☐	Directed	☐	Order Type	☐
				IB Algo	☑	Time in Force	☐
						IB Algo	☑

Open Users' Guide

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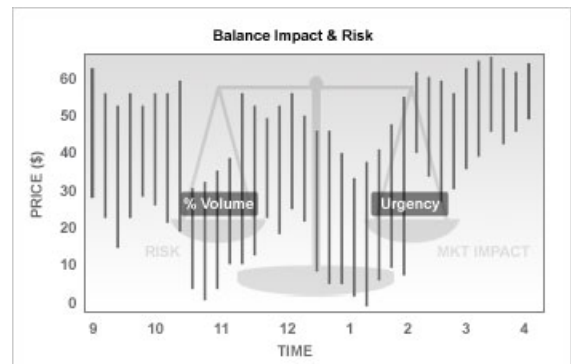
Available for US Equity and Index Options.