

Volatility Orders

A Volatility order is a TWS-specific order that allows you to trade volatility instead of price. TWS calculates the limit price of an option as the function of the option's implied volatility. You specify the option volatility, and TWS calculates the limit price for you. When you enable volatility trading and create a Volatility page in TWS, the bid and ask values are displayed as volatility instead of price. You can also enable dynamic management of these volatility orders, where TWS updates the limit price based on movement in the underlying price, cancels the order if the underlying price moves outside a high or low price range, and transmits a delta trade for the underlying when the volatility order executes or partially executes.

Combination orders that meet the following criteria can be submitted as VOL orders:

- Smart-routed.

- All legs on the same underlying.

- Each leg must be independently eligible to use the VOL order type. For example, a BuyWrite order could not be sent as a VOL order since its stock leg would not allow this order type.

- All VOL orders must be DAY orders.

Note:

For non-marketable limit orders created as a result of volatility orders, IB has the discretion to display or not display any or all of the quantity of such orders on a national exchange as it sees fit in order to try to achieve the most favorable execution.

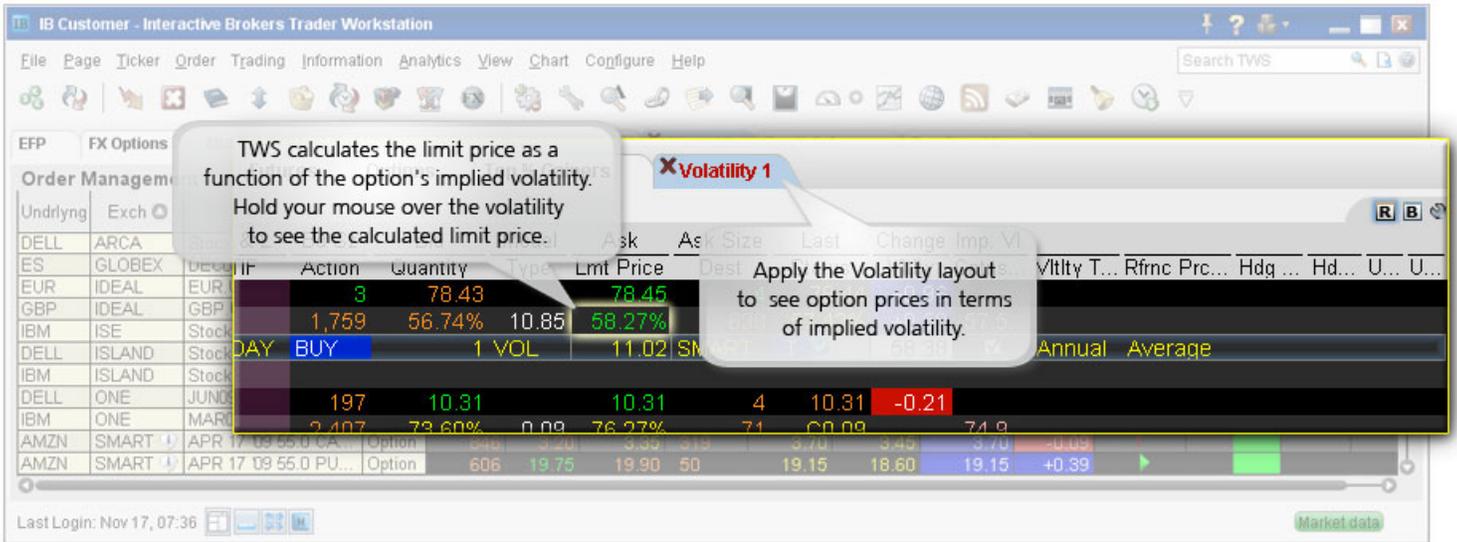
Products	Availability	Routing	TWS
FOPs <input checked="" type="checkbox"/>	US Products <input checked="" type="checkbox"/>	Smart <input checked="" type="checkbox"/>	Attribute <input type="checkbox"/>
Options <input checked="" type="checkbox"/>	Non-US Products <input type="checkbox"/>	Directed <input type="checkbox"/>	Order Type <input checked="" type="checkbox"/>
Combination Orders <input checked="" type="checkbox"/>			Time in Force <input type="checkbox"/>

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Open Users' Guide

Note:

The Reference Table above provides a general summary of the order type characteristics. The checked features are applicable in some combination, but do not necessarily work in conjunction with all other checked features. For example, if Options and Stocks, US and Non-US, and Smart and Directed are all checked, it does not follow that all US and Non-US Smart and direct-routed stocks support the order type. It may be the case that only Smart-routed US Stocks, direct-routed Non-US stocks and Smart-routed US Options are supported.

Example



You want to purchase one APR09 XYZ 85.0 call option based on volatility instead of bid/ask prices. To do this, you create a Volatility page in TWS to see bid/ask volatility as calculated by our Model Navigator. To create your Volatility page, select Volatility Trader from the **Trading Tools** menu. Next, create market data lines on the Volatility page for the APR09 XYZ 85.0 call option, then click the Ask price to create a BUY order. The Order Volatility field becomes editable and you enter a volatility value. The value you enter is used in the calculation to determine the limit price of the option. Finally, you submit your order.

Any stock or option symbols displayed are for illustrative purposes only and are not intended to portray a recommendation.