MARKET PROTECTIONS OF AN ELECTRONIC TRADE

A look at just a few of the risk protections every order, including high-frequency trading, must pass to make it through a trading engine. These protections help maintain the integrity of the market.

Order Is Placed

CREDIT CONTROLS

PASS / FAIL

Clearing firms set credit limits based on order size or risk values. If specified limits are breached, the order is rejected.

MAXIMUM ORDER QUANTITY

PASS / FAIL

Every product has a pre-defined maximum quantity per order. This step ensures that the order is not exceeding this limit before it continues. If the max quantity is exceeded, the order is rejected.

PRICE BANDING

PASS / FAIL

All orders on a trading platform are subject to price verification. Bids at prices well above or well below the market fall outside of that contract's "band" and are rejected.

CENTRAL LIMIT ORDER BOOK

PASS

A unified central limit order book (CLOB) ensures all orders are routed to and executed on a trading platform. A single integrated market allows for concentrated liquidity in one transparent location. An order joins the CLOB once it meets the previous protection standards.

TRADE REJECTION

SINGLE MARKET DATA FEED

Once an order is received, it's sent to the CLOB where it's made available to be bought or sold. From the order book, all market participants receive the market data they need to make trading decisions.

MARKET & STOP ORDER PROTECTION POINTS

When placing market or stop orders, customers have the option of assigning a price limit within the price bands themselves or letting the matching engine assign a price limit, or protection point, for them. Either way, every market or stop order is assigned a price limit.

STOP PRICE LOGIC

FAIL

Order matching is paused when cascading stop orders cause the market to move beyond a pre-determined range. This step restores balance to the market.

VELOCITY LOGIC

FAIL

Regardless of order type, order matching is paused when prices move excessively and too quickly. Like stop price logic, this step keeps the market balanced.

PASS

MARKET PAUSE

Trade Is Complete

The trade makes its way through the matching engine, the bid/sell order goes through, and the trade is cleared and completed.

LESS THAN 1 MILLISECOND

The amount of time it's taken for our order to complete this entire process.

To understand just how fast that is, consider that a camera flash takes 100 milliseconds.