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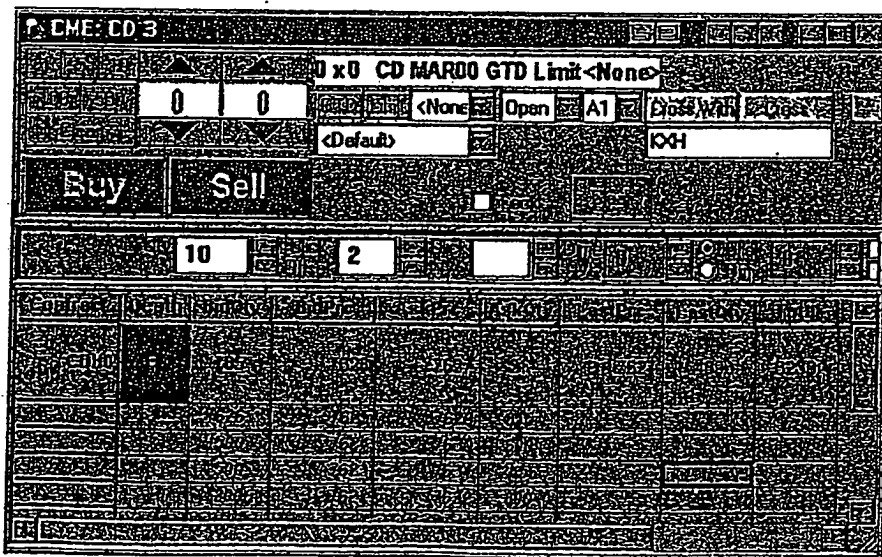
**• INNOVATION #4: CLICK OFFSET SAFETY MECHANISM FOR CLICK TRADING**

The Click Offset field, which is inactive in the above screen shot, and thus greyed out, is a safety device used with the Click trading mode that won't allow a trader to send an order that is too far away from the Last Traded Price. Effectively, the trader establishes a floor or ceiling above or below the last traded price by enabling Click Offset. To use the Offset feature, a trader would set the +/- value to zero. He would then set a figure in the Click Offset field. This will halt any orders that are above or below the last traded price by at least the number of ticks in the Click Offset field. A "tick" is the minimum change in a price value that is set by the exchange for each commodity (for example, \$.01, \$.05, \$.10 or any other value).

Without the Click Offset feature, a trader might intend to click on a particular price, but between the time he decides to do so and the time he actually clicks (which may be only hundredths of a second) the price may change. He may not be able to stop the downward motion of his finger and the order would be sent to market at the wrong price. Sometimes the change in price is significant and could cost the trader a lot of money.

Using Click Offset a trader could trade in the market depth, but no order would be sent to market that is entered by the trader for a price further from the last price than the figure displayed in the Click Offset field.

Using the following screen shot, the following trading scenario could take place:



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- Because the Click Offset field is in use, the trader cannot trade more than 2 ticks from the last traded price. In this screen, the last traded price is 7627 so the trader might right click on 7629, which is one row below the inside market ask price. This would send a buy order to the market for his previously entered quantity (10 in the screen above) for 7627. Because this is within two ticks of the last traded ask price, the order would go to the market. All 10 lots would be filled because there are 836 (815 plus 21) lots in the market at least at this price.
- If the trader clicked on 7630 or higher, he could not enter a trade because the price is greater than 2 ticks above the last traded price.

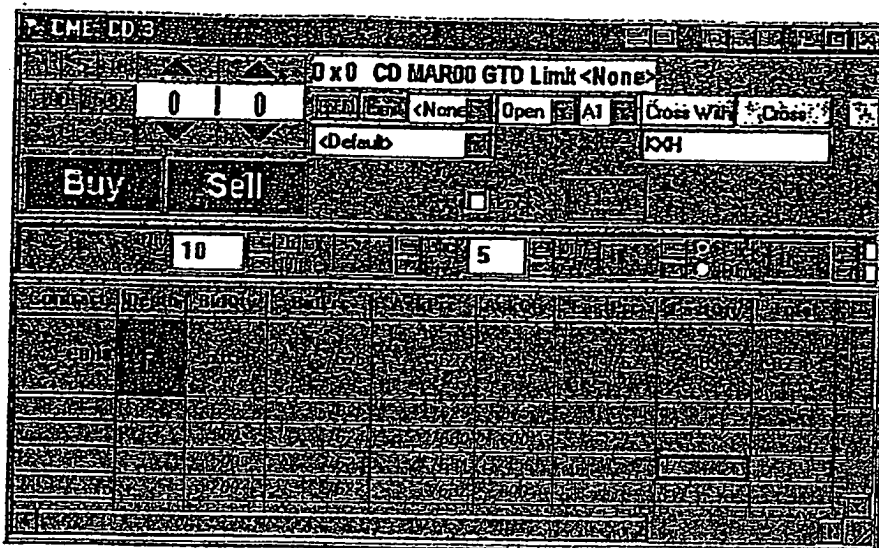
• **INNOVATION #5: PRICE SETTING AUGMENTATION BASED ON A PRESET VARIABLE (CLICK +/-)**

Trading with Click +/- allows a trader to chase a fast moving market up to a certain amount of ticks. A trader would set the number of ticks in the Click +/- field once. He would then be able to send orders to market with a single click in the market depth for a price up to (or down to if selling) the price clicked plus (or minus if selling) the number of ticks in the Click +/- field. The best available order in the market within the preset parameters would be filled.

If the market was moving fast and the inside market was rapidly increasing or decreasing (or both alternatively), Click +/- will insure that the trader can keep up with the changes. Using the traditional electronic trading method, he might not be able to sell or buy large quantities at or near the price he needs because the prices moved before he could enter all of the required data. Using Click +/-, he can trade pre-specified quantities at any chosen price plus or minus the ticks chosen. This might insure that his trades get filled before the market moves away.

The following screen depicts Click trading with the Click Offset feature disabled and a Click +/- quantity greater than 0 entered. This entry will enable the trader to trade at any price he clicks in the market grid and enter an order for up to (or down to if selling) 5 ticks above (or below) the clicked price.

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In the above screen shot the following trading scenarios might take place:

- The trader seeks to sell 10 lots, so he clicks on the 7623 Bid Price, which is three below the inside market. This will send an order to market to sell 10 lots for as low as 7618 (7623 minus 5 ticks). The best available price will be filled first. Thus, in this scenario, all 10 lots will be filled because offers exist in the market place in this price range that amount to many more than 10 lots. Note that without Click Offset enabled, this trade will go through regardless of how far away from the Last Price it is.
- The trader would buy 10 lots for as much as 7635 by clicking on the 7630 field in the Ask Price column. All of these orders will also be filled.

**Equations for Innovations 4 & 5:**

The concepts set forth in Innovations 4 & 5 can be reduced to the following formulas:

**KEY:**

Ask Price clicked with Click trading button = A

Bid Price clicked with Click trading button = B

Last Traded Price = L

Click Offset value = Off

Click +/- value = C

Quantity = Q

Buy limit order sent to the market = Bo

Sell limit order sent to the market = So

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**Equations:**

If  $C > 0$  then  $B_o = (A + C)Q$

If  $C > 0$  then  $S_o = (B - C)Q$

If  $C = 0$  and if absolute value of  $(L-A) > \text{Off}$  then NO ORDER SENT

If  $C = 0$  and if absolute value of  $(L-B) > \text{Off}$  then NO ORDER SENT

If  $C = 0$  and if absolute value of  $(L-A) \leq \text{Off}$  then  $B_o = (A)Q$

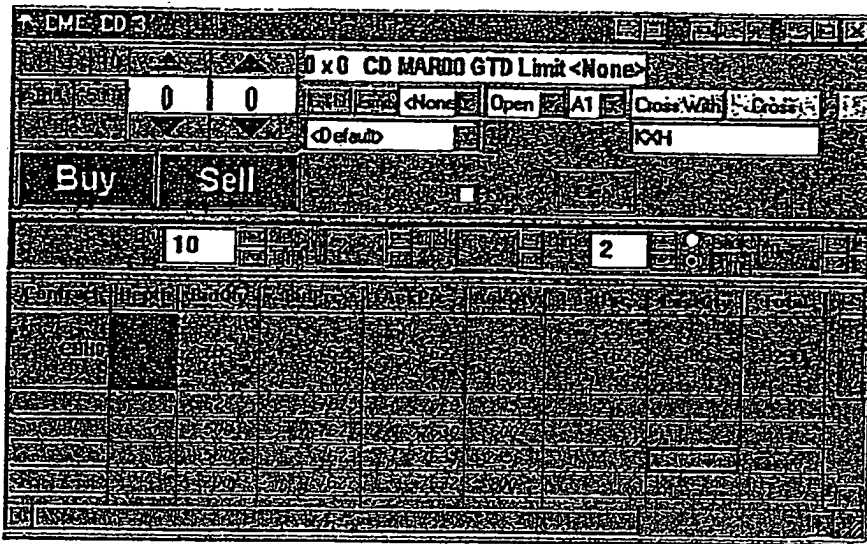
If  $C = 0$  and if absolute value of  $(L-B) \leq \text{Off}$  then  $S_o = (B)Q$

**• INNOVATION #5: SAFETY OVERRIDE AND PRICE SETTING AUGMENTATION BASED ON A PRESET VARIABLE (DIME +/-)**

Dime trading allows traders to join the market at a value above or below the best bid or ask by a specified number. Using Dime +/- a trader would enter orders into the market that would not be filled until an equal match met the order in the market. The trader would select the quantity as he did when Click trading and enter the tick amount in the "dime +/-" field. A setting of zero ("0") ticks will enter an order for the price clicked. A tick setting of any amount greater than or less than zero ("0") sends an order to the market for the price clicked plus (minus if selling) the dime +/- setting. If the trader clicked on the Bid order column, a bid would be sent, while a click on the Ask column would send an Ask order. This type of trading may be utilized to join the market or to move the prevailing prices up or down.

The following screen shot shows an X\_TRADER® screen with dime trading enabled:

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Using the above screen shot, the following trading scenarios could take place:

- In this screen, the trader might right click on 7622, which is four rows below the inside market bid price. This would send a buy order to the market for his previously entered quantity (10 in the screen above) for 7624 or better (up to two ticks above the clicked price). Nothing would be filled at this point. Rather, the orders would be placed in the market as a Bid limit order at 7624 and would only be filled if an Ask order entered the market for 7624 or better.
- If Dime +/- was set at a negative number, for example -3, a right click on 7622 in the BidPrc column would enter a Bid limit order for 7619. None of these would be filled in the market until the asks meet or beat 7619.

**Equations for Innovation #6**

Dime trading can be reduced to the following formulas:

**KEY:**

Ask Price clicked with Dime trading button = A

Bid Price clicked with Dime trading button = B

Dime +/- value = D

Quantity = Q

Buy limit order sent to the market = Bo

Sell limit order sent to the market = So

**Equations:**

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