Tailor-Made Combination (TMC)

Product Description

The Tailor Made Combination (TMC) functionality supports the creation of user-defined combination order books in the central system. It enables market participants to place working good-for-day multi-leg orders that, when matched at the given net price, trades simultaneously all the legs without any execution risk. Once created intraday, the TMC is visible to the entire market and lives throughout the trading day. Working TMC orders are ranked and matched as normal outrights orders according to 1) price and 2) time. As with pre-defined combination order books like the OMXS30 futures roll, matching of a TMC order can be performed within the combination order book and also against outright orders and quotes. In order to maximize the probability of execution, the central system generates implied orders (a.k.a. derived orders) for the component legs of a TMC.

Facts

No Execution Risk
When you trade strategies via user and pre-defined combinations all included instruments according to the specified strategy are simultaneously executed at the same time on a net price without execution risk.

Combination Order Book
When the TMC is created a combination order book is instantly created and visible to the entire market.

Easy To Use
You create the TMC by defining what instruments you want to buy and sell and the ratio between them. Specify the number of contracts and the net price and trade it automatically in the electronic order book.

Implied-In Orders
Implied-in prices are automatically calculated by the system but not published. When a TMC is entered, the central system tries to match that order with the implied-in prices from the outright order books.

Price
The Price for the Order shall be stated as a common net price, i.e. the premium times the ratio for the instrument to be bought minus the premium times the ratio for the instrument to be sold. The tick-size is 0.01.

Instruments
A TMC can consist of up to four instruments within the same underlying of equity derivatives. The instruments in a TMC need to have the same contract size (multiplier). Index futures are not valid instruments in a TMC. It is possible to have a relative ratio of up to 2:1 between the included instruments.

Implied-Out Orders
Implied-out orders are orders automatically generated by the system.

When a TMC is entered, the central system tries to match that order with any existing orders for that combination and also against the outright order books.

For each outright order book and where possible the system uses the market prices in all other included instruments to calculate an order with a theoretical price needed to trade at in order to execute the whole combination at the set net price.

This order will be placed into the market as an implied-out order. If this implied-out order is traded, the system will simultaneously trade against the orders in all other instruments, with no execution risk. Implied-out orders are always calculated but only published in instruments where the ratio is 1.
Example

This is an example showing a TMC in ERICB options.

- **BUY THE MARCH 85 PUT**
- **SELL THE MARCH 90 PUT**
- **RECEIVE A NET OF 3.25 SEK PER COMBINATION UNIT**

- Since the TMC order cannot be directly matched against any existing orders for that combination or against the implied-in prices from the outright order books, implied-out orders are automatically generated by the system.

- The Mar 85 put have an Ask-price of 5 so the central system creates an implied-out ask order at 8.25 in the Mar 90 put and the Mar 90 put have a bid-price of 8 so an implied-out bid order at 4.75 is created in the Mar 85 put.

- If your 8.25 implied-out ask order in the Mar 90 put is traded against the system automatically buys at 5 in the Mar 85 put and correspondingly if your 4.75 implied-out bid order in the Mar 85 put is traded against the system automatically sells at 8 in the Mar 90 put. This is done without execution risk at your net price.