

## Actionable Ideas for the Power to Optimize Your Trades

### Finding Hidden Liquidity in Options Markets

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Mr. Rowe: As option markets continue to evolve, clients are increasingly attempting to seek liquidity between the spread, rather than immediately paying the far side. This may require a strategy that can take an opportunistic approach to finding liquidity.

Bank of America Merrill Lynch's Capture is a highly adaptive, customizable algo that seeks liquidity and price improvement. It is useful in both larger spread strikes as well as when you are looking to opportunistically seek liquidity. Let's say you want to buy a call option that has a market of \$1 bid at \$1.25. Rather than paying \$1.25 from the outset, Capture is designed to take a more passive approach. With a limit price of \$1.25, Capture can start working the order at a dollar, then post at multiple price levels, using real-time market activity and historical data to inform decisions. For example, it could post at \$1.05 and \$1.10 simultaneously, take what's available, and continue to work the order within the spread looking to attract liquidity at the near side. The intelligent passive order placement at multiple price points attempts to capture transient liquidity passing through the order book.

Our flexible framework offers multiple configurations that can be easily customized to meet trader-specific requirements. With Capture, your urgency mode is key, as it determines the amount of time the algo rests at each price level. In low mode, your order will be more passive and rest on near side, seeking passive liquidity. In medium mode, the order will opportunistically search for intra spread liquidity. High urgency mode orders will act more aggressively, sweeping all displayed and hidden liquidity. Optional price improvement functionality is also available on eligible Medium and High urgency mode orders.

For other actionable insights across asset classes, check out the rest of our Trader Insights series or contact your sales rep