Unique Risks of Stop Limit / Stop Limit on Quote Orders

Unique Risks of Stop Limit on Quote Orders - Equities

Stop limit on quote orders face unique risks when used as loss control orders and depending upon market movement may result in no closing transaction.

A Stop limit on quote order is basically a Stop on Quote order combined with a limit order. The election of Stop limit on Quote order works the same way as a Stop on Quote order. Once elected, Stop on Quote orders are handled as market orders. Stop limit on quote orders become limit orders when the stop price is elected or "triggered" in the marketplace. Stop-Limit on Quote orders are elected when the National Best Bid (for sell orders) or National Best Offer (for buy orders) is equal to the stop or trigger price set by you. Once elected, the order is then submitted as a limit order at the limit price (which may differ from the Stop price) in the marketplace for execution. The stop limit on Quote order may not be eligible for execution because the limit may be exceeded by current market pricing. In other words, a stop limit on quote becomes a "live order" when a quotation touches your stop price, but you may not get a fill unless the market continues to trade at your limit price or better.

As an example, if the "stop" price is $1.75 and the limit price is $1.75, then the security must continue to trade at $1.75 after it has been elected in order for your order to be eligible for execution. If the Stop is triggered, but immediately declines below the limit price (for sell orders) and never reaches the price again on that day, your order is not eligible for execution and will not be filled no matter how far the market trades against you. This result can be particularly true for sell Stop-Limit on Quote orders in rapidly declining markets. You may want to consider setting the limit price below the Stop or trigger price to address this circumstance. However, you should keep in mind that your order may then execute at a price below the Stop price, down to the limit price.

Other issues can also lead to unexecuted stop limit on quote orders including fast markets in a security which may lead to the limit being "skipped". Also, a stop limit on quote order can be skipped due to the bid/ask spread exceeding a triggered stop limit.

For more information on the drawbacks or uses of stop limit on quote orders, please contact optionsXpress´ trading support at (888) 280-6505, 9am-5:30pm, Mon-Fri.

Unique Risks of Stop Limit Orders – Futures Products

Stop limit orders face unique risks when used as loss control orders and depending upon market movement may result in no closing transaction.

A Stop limit order is basically a Stop order combined with a limit order. The election of Stop Limit order works the same way as a Stop order. Once elected, Stop orders are handled as market orders.

Stop limit orders become limit orders when the stop price is elected or "triggered" in the marketplace. Stop-Limit orders are elected when the last reported transaction is equal to the stop or trigger price set by you. Once elected, the order is then submitted as a limit order at the limit price (which may differ from the Stop price) in the marketplace for execution. The stop limit order may not be eligible for execution because the limit may be exceeded by current market pricing. In other words, a stop limit becomes a "live order" when the market touches your stop price, but you may not get a fill unless the market continues to trade at your limit price or better.

As an example, if the "stop" price is $1.75 and the limit price is $1.75, then the security must continue to trade at $1.75 after it has been elected in order for your order to be eligible for execution. If the Stop is triggered, but immediately declines below the limit price (for sell orders) and never reaches the price again on that day, your order is not eligible for execution and will not be filled no matter how far the market trades against you. This result can be particularly true for sell Stop-Limit orders in rapidly declining markets. You may want to consider setting the limit price below the Stop or trigger price to address this circumstance. However, you should keep in mind that your order may then execute at a price below the Stop price, down to the limit price.

Other issues can also lead to unexecuted stop limit orders including fast markets in a security which may lead to the limit being "skipped". Also, a stop limit order can be skipped due to the bid/ask spread exceeding a triggered stop limit.

For more information on the drawbacks or uses of stop limit orders please contact optionsXpress´ trading support at (888) 280-6505, 9am-5:30pm, Mon-Fri.

Unique Risks of Stop Limit / Stop Limit on Quote Orders – Options
Stop limit and stop limit on quote orders face unique risks when used as loss control orders and depending upon market movement may result in no closing transaction.

A Stop limit and Stop limit on quote order is basically a Stop (or Stop on Quote) order combined with a limit order. The election of Stop Limit works the same way as a Stop order and a Stop Limit on Quote order is elected the same as a Stop on Quote order. Once elected, Stop and Stop on Quote orders are handled as market orders.

However, Stop limit and stop limit on quote orders become limit orders when the stop price is elected or "triggered" in the marketplace. The election of Stop Limit orders (options and futures) differs from the election of Stop-Limit on Quote orders (equities). Depending on the rules of the marketplace where they were sent, Stop-Limit orders may be elected when the relevant quote (Bid for sell orders; Ask for buy orders) **or** the last reported transaction price is equal to the stop or trigger price set by you. Stop-Limit on Quote orders are elected when the National Best Bid (for sell orders) or National Best Offer (for buy orders) is equal to the stop or trigger price set by you. Once elected, the order is then submitted as a limit order at the limit price (which may differ from the Stop price) in the marketplace for execution. The stop limit order may not be eligible for execution because the limit may be exceeded by current market pricing. In other words, a stop limit and stop limit on quote becomes a "live order" when the market touches your stop price, but you may not get a fill unless the market continues to trade at your limit price or better.

As an example, if the "stop" price is $1.75 and the limit price is $1.75, then the security must continue to trade at $1.75 after it has been elected in order for your order to be eligible for execution. If the Stop is triggered, but immediately declines below the limit price (for sell orders) and never reaches the price again on that day, your order is not eligible for execution and will not be filled no matter how far the market trades against you. This result can be particularly true for sell Stop-Limit and sell Stop-Limit on Quote orders in rapidly declining markets. You may want to consider setting the limit price below the Stop or trigger price to address this circumstance. However, you should keep in mind that your order may then execute at a price below the Stop price, down to the limit price.

Other issues can also lead to unexecuted stop limit and stop limit on quote orders including fast markets in a security which may lead to the limit being "skipped". Also, a stop limit and stop limit on quote order can be skipped due to the bid/ask spread exceeding a triggered stop limit.

For more information on the drawbacks or uses of stop limit and stop limit on quote orders please contact optionsXpress´ trading support at (888) 280-6505, 9am-5:30pm , Mon-Fri.