

# **PATENTED VOLUME ATTENTIVE TRADE LIQUIDITY BUILDER®**

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# THE PROBLEM FOR LARGE RETAIL INVESTORS

- **SMALL LIMIT ORDERS TO HIDE INTENTIONS**
- **FRUSTRATION AND TIME WASTED**
- **EXCLUDED FROM BIG TRADES**

# THE PROBLEM FOR INSTITUTIONAL INVESTORS

- **CONFIDENTIALITY**
- **FRONT RUNNING**
- **FRAGMENTED SOURCES OF LIQUIDITY**
- **DIFFICULT TO GAIN AN EDGE**

# FAULTY ASSUMPTIONS

- **INSTITUTIONS**  
Large trades involve institutions on both sides.
- **RETAIL**  
Retail investors are satisfied not participating in large trades.

# NEW THINKING – LIQUIDITY BUILDER®

- **UNTAPPED POTENTIAL**

Untapped potential for liquidity by matching large retail investors with institutions.

- **BEST PRICE**

Big difference between best price for a single, small retail limit order versus best execution for a retail investor filling an entire large order while minimizing the time spent managing small limit orders.

- **INCENTIVES**

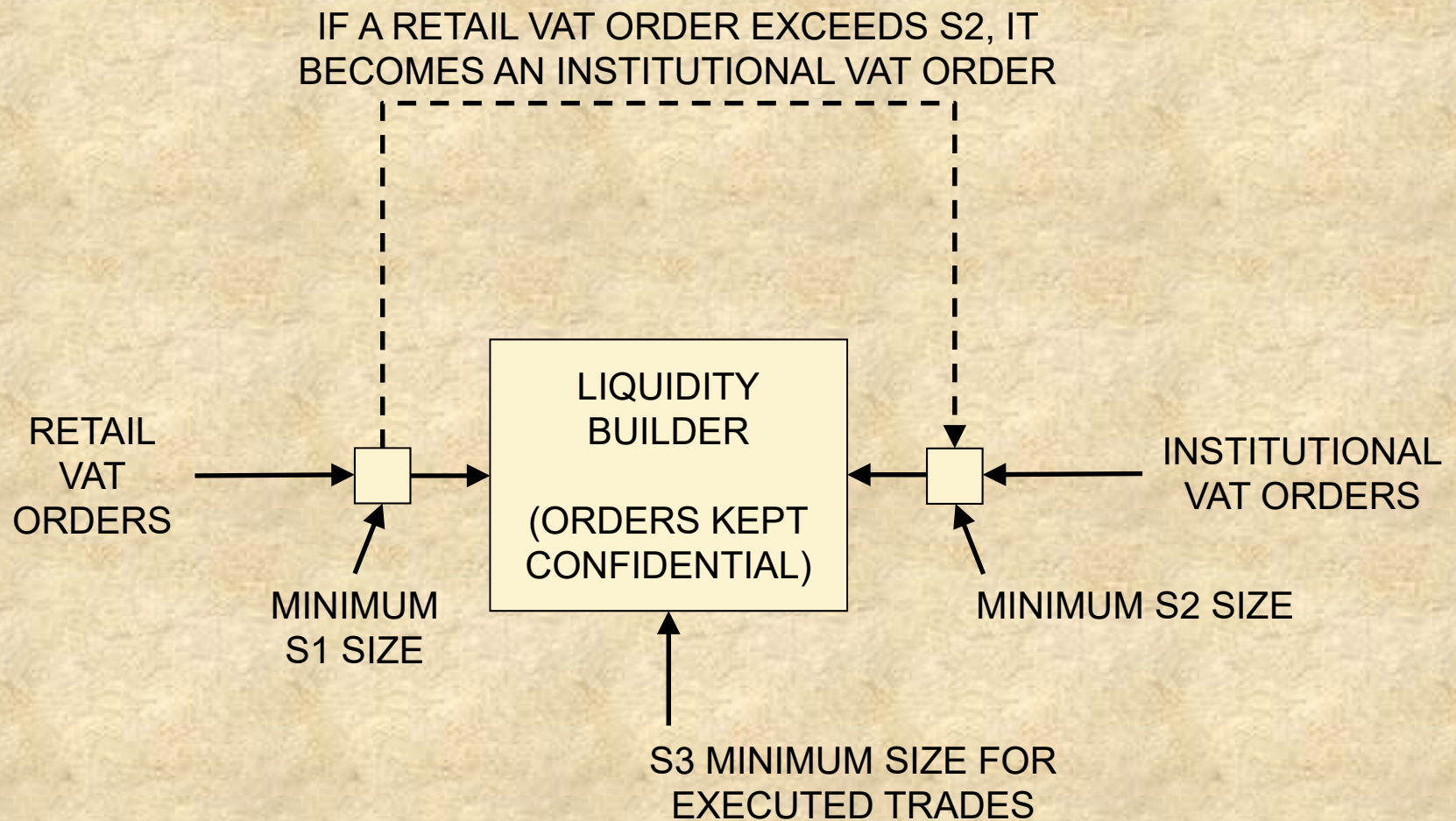
A liquidity-building mindset focuses on explicit incentives to attract large orders both institutional and retail.

- **DYNAMIC SYSTEM**

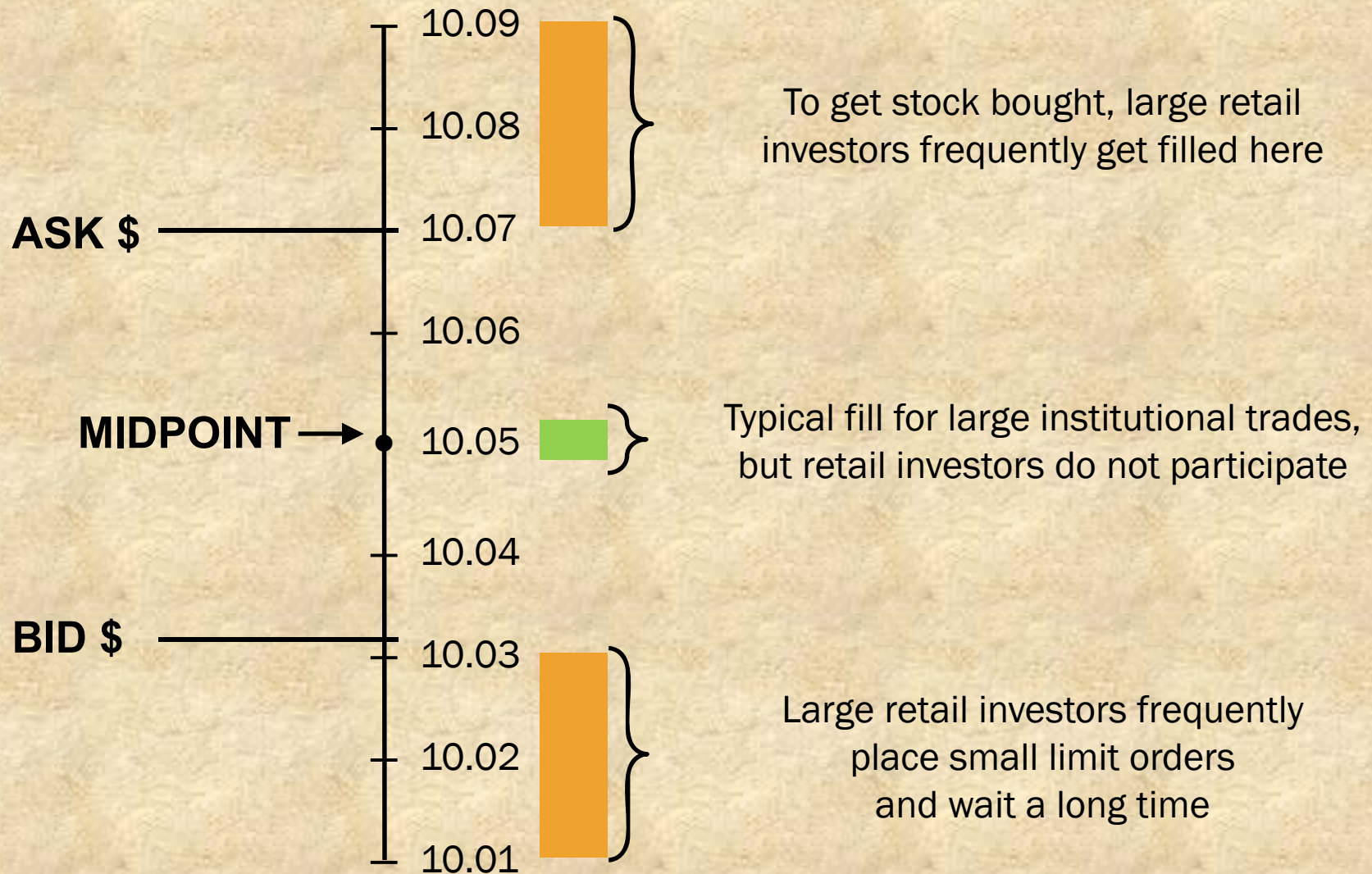
A patented Volume Attentive Trade (VAT) Liquidity Builder continually aggregates retail and institutional orders in a dynamic system that increases liquidity due to its unique incentives (trading rules).



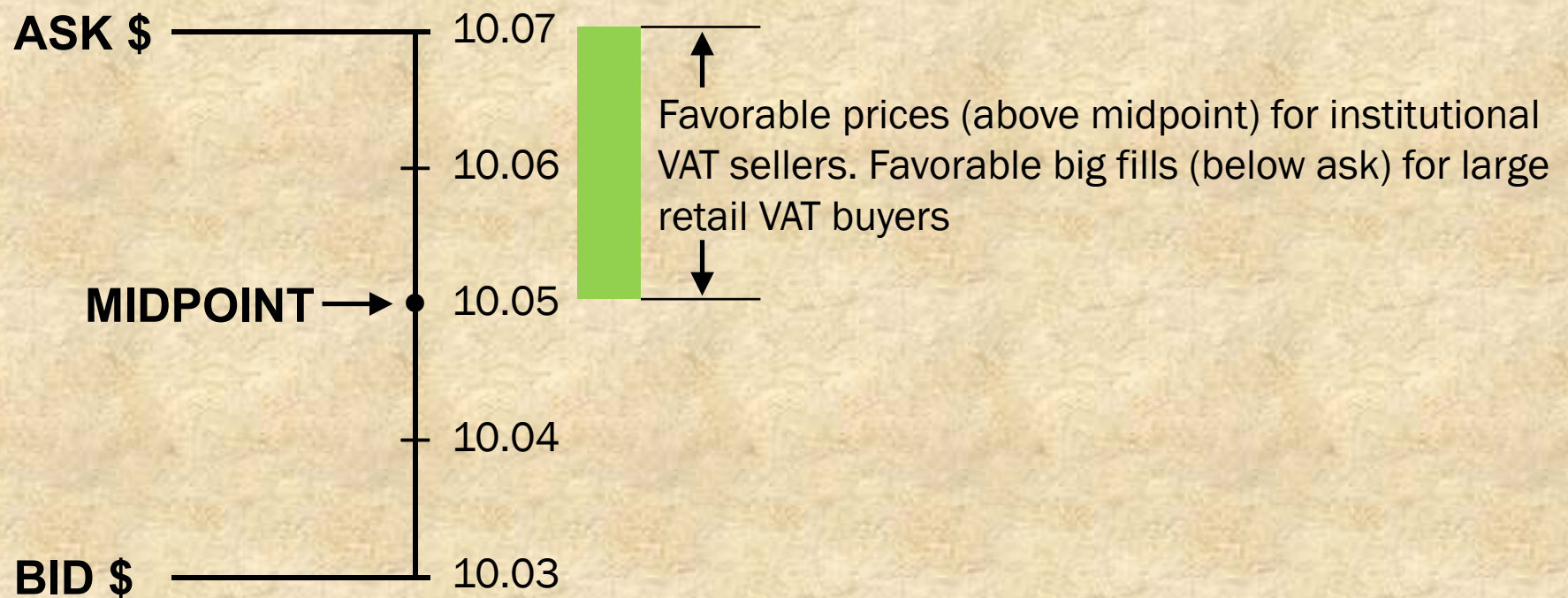
# PATENTED LIQUIDITY BUILDER<sup>®</sup> AND VOLUME ATTENTIVE TRADE (VAT) ORDERS



# RETAIL INVESTORS WITH LARGE ORDERS TO BUY



# RETAIL AND INSTITUTIONAL VAT ORDERS PRODUCE FAST AND FAVORABLE EXECUTIONS





# EXAMPLE VOLUME ATTENTIVE TRADES (VAT) ORDERS

## RETAIL VAT ORDERS INCLUDE A VAT DELTA

- Investor wants to buy 15,000 **shares** and sets a **limit price** 10.03 with a **VAT Delta .03**
- VAT Delta specifies how much away from the limit price an investor is willing to pay (i.e.  $10.03 + 0.3 = 10.06$ ) to participate in a trade executed by the Liquidity Builder. **VAT Delta may vary with number of shares filled in a trade.**

## INSTITUTIONAL VAT ORDERS

- **Conventional limit orders**, e.g., sell 25,000 shares at 10.06

# LIQUIDITY BUILDER TRADE

This trade is simplified by using just four investors with all buys as retail VAT orders and all sells as institutional VAT orders.

## RETAIL VAT BUY ORDERS

[----- VAT Delta -----]					
Investor	Shares	Limit Price	Delta	New Limit	Trade Size
A	15,000	10.03	.01	10.04	3,000 to 6,000
			.02	10.05	6,000 to 9,000
			.03	10.06	9,000 to 15,000
B	13,000	10.02	.03	10.05	3,000 to 6,000
			.04	10.06	6,000 to 13,000

## INSTITUTIONAL VAT SELL ORDERS

Investor	Shares	Limit Price
C	25,000	10.06
D	20,000	10.06

# SAMPLE TRADE, STEPS 1 AND 2

**1. The Liquidity Builder determines that a trade for 28,000 shares is possible.** Since this exceeds S3 (see slide 6) minimum size, a trade will be executed.

**2. Select the largest VAT institutional order which is always executed first.** Such an arrangement further advances an incentive for institutional investors to submit larger orders to the Liquidity Builder.

# SAMPLE TRADE, STEPS 3, 4, AND 5

3. Institutional order C will be filled first because its 25,000 shares exceeds D's 20,000 shares.

4. VAT Deltas are used to compare new limits and required trade size with institutional VAT orders

5. Retail VAT order A is filled first because more A shares can trade versus other retail VAT orders

Retail Investor	Shares	VAT Delta	New Limit	Trade Size	Shares Bought	Shares Left to Fill
A	15,000	.03	10.06	9,000 to 15,000	15,000	0
B	13,000	.02	10.06	6,000 to 13,000	0	13,000

Institutional Investor	Shares	Limit	Shares Sold	Shares Left to Fill
C	25,000	10.06	15,000	10,000
D	20,000	10.06	0	20,000

FIRST FILL



# SAMPLE TRADE, STEP 6

6. Institutional order C has 10,000 shares left to fill which is matched with retail order B. Order D takes the remaining 3,000 shares of B.

Retail Investor	Shares	VAT Delta	New Limit	Trade Size	Shares Bought	Shares Left to Fill
B	13,000	.02	10.06	6,000 to 13,000	13,000	0

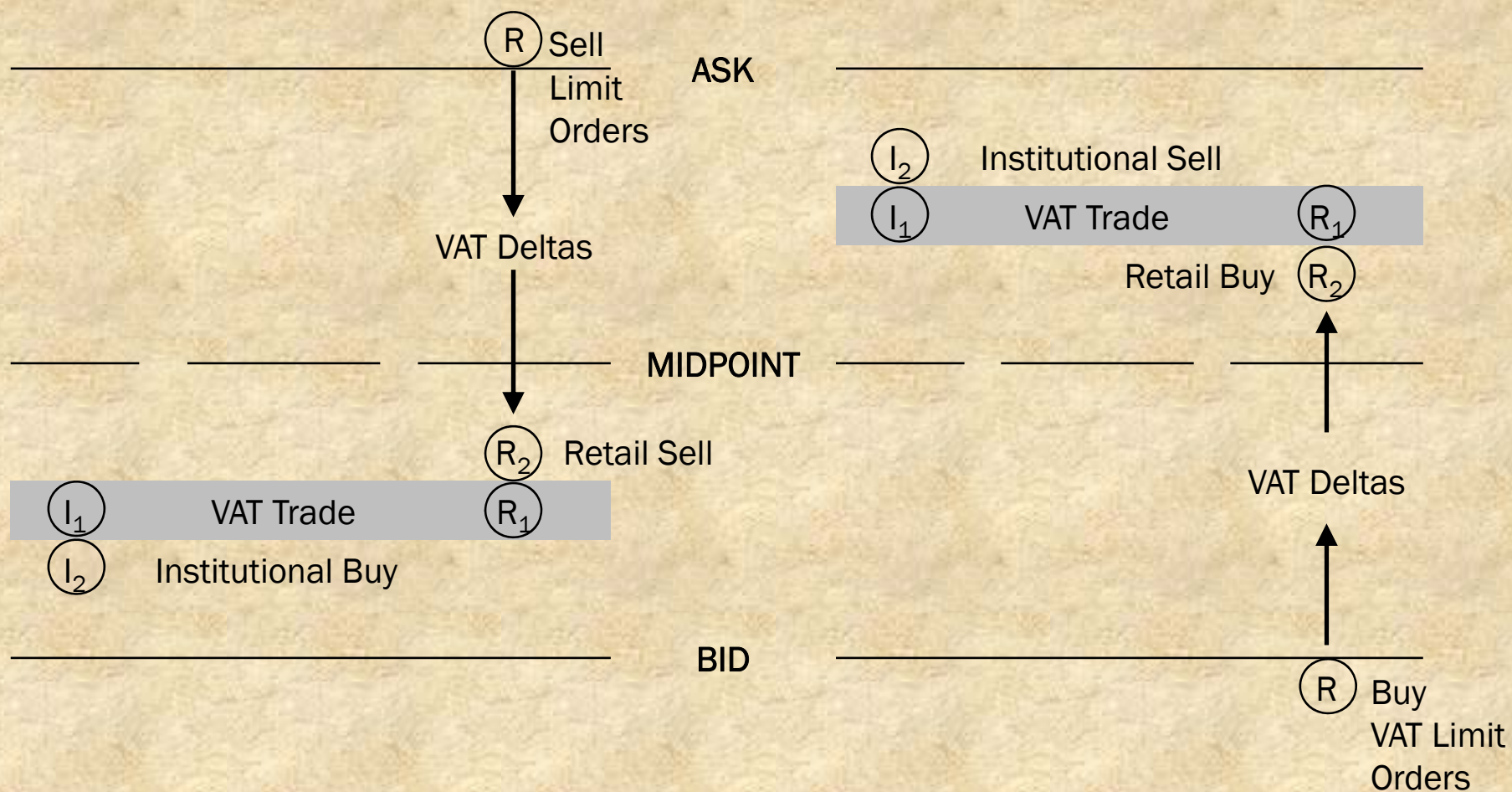
  

Institutional Investor	Shares	Limit	Shares Sold	Shares Left to Fill
C	10,000	10.06	10,000	0
D	20,000	10.06	3,000	17,000

SECOND FILL



# LIQUIDITY BUILDS BECAUSE BOTH PARTIES GET PRICE IMPROVEMENT VERSUS STATUS QUO AND, AT SAME LIMIT PRICE, LARGEST ORDERS TRADE FIRST



# LIQUIDITY BUILDER<sup>®</sup> SUMMARY

- **STRONG PATENT POSITION** provides competitive advantage to Liquidity Builder operator.
- **BEST EXECUTION** of entire retail VAT order instead of best price for a small number of shares.
- **BUILD UP LIQUIDITY** by giving preferences to those who provide increased liquidity.
- **INCENTIVES** to place large orders. First trade always begins with the largest institutional VAT order and, at a given price, largest retail VAT order gets filled first regardless of when other retail VAT orders placed.
- **VALUE FOR RETAIL INVESTORS** by finally participating in large institutional trades and avoiding time consuming and frustrating current process.
- **OPPORTUNITY FOR RETAIL INVESTORS** with very large VAT orders to transition to institutional VAT orders.
- **INNOVATIVE** VAT Delta enables a limit price to vary with number of shares filled in a trade.
- **LOWER COST OF CAPITAL** for corporations due to increased liquidity.