

# The Options Trading Landscape as Seen by the Buy-side

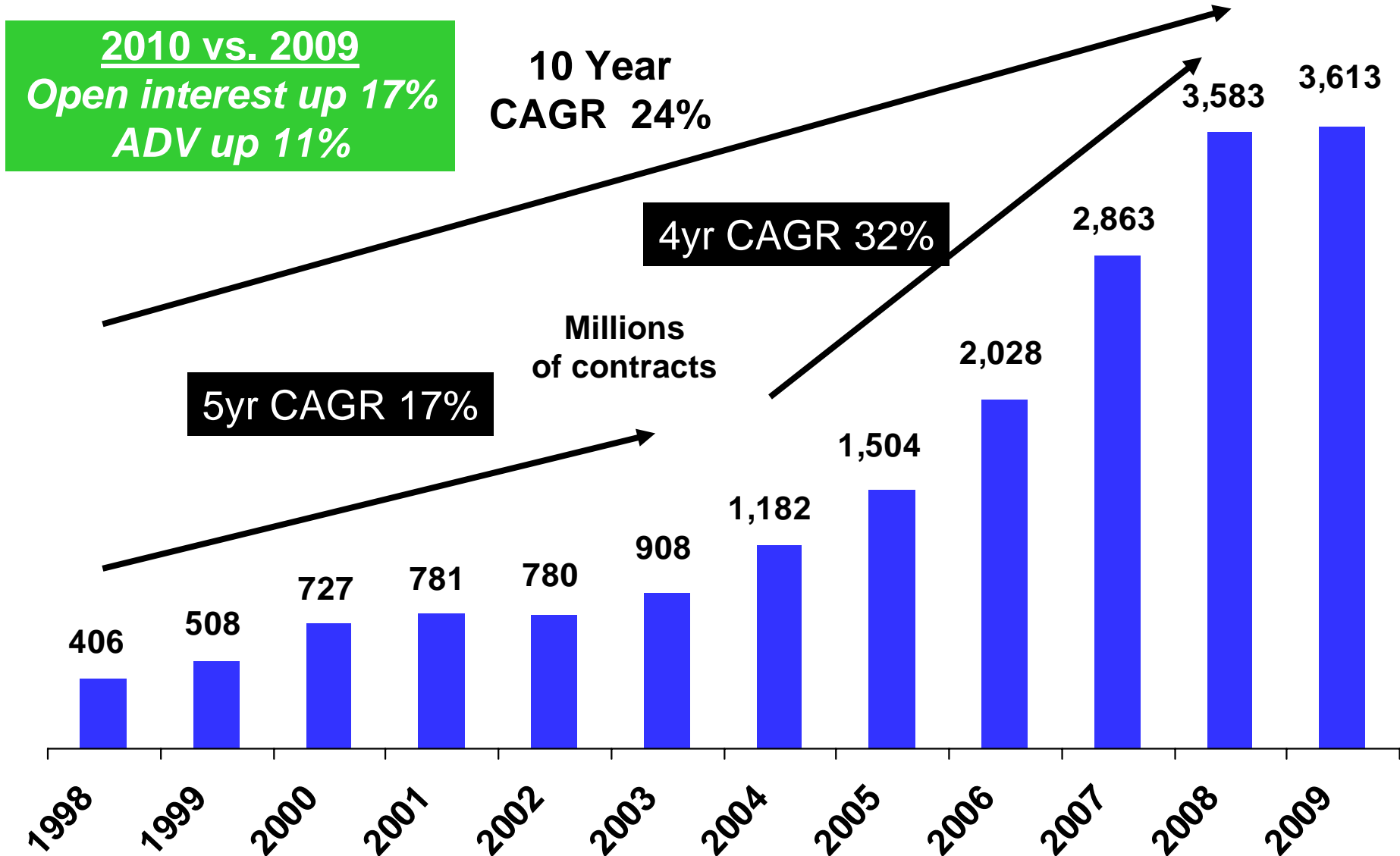
Andy Nybo, Head of Derivatives, TABB Group

Jay Easterling, Managing Director, Gargoyle Asset Management LLC

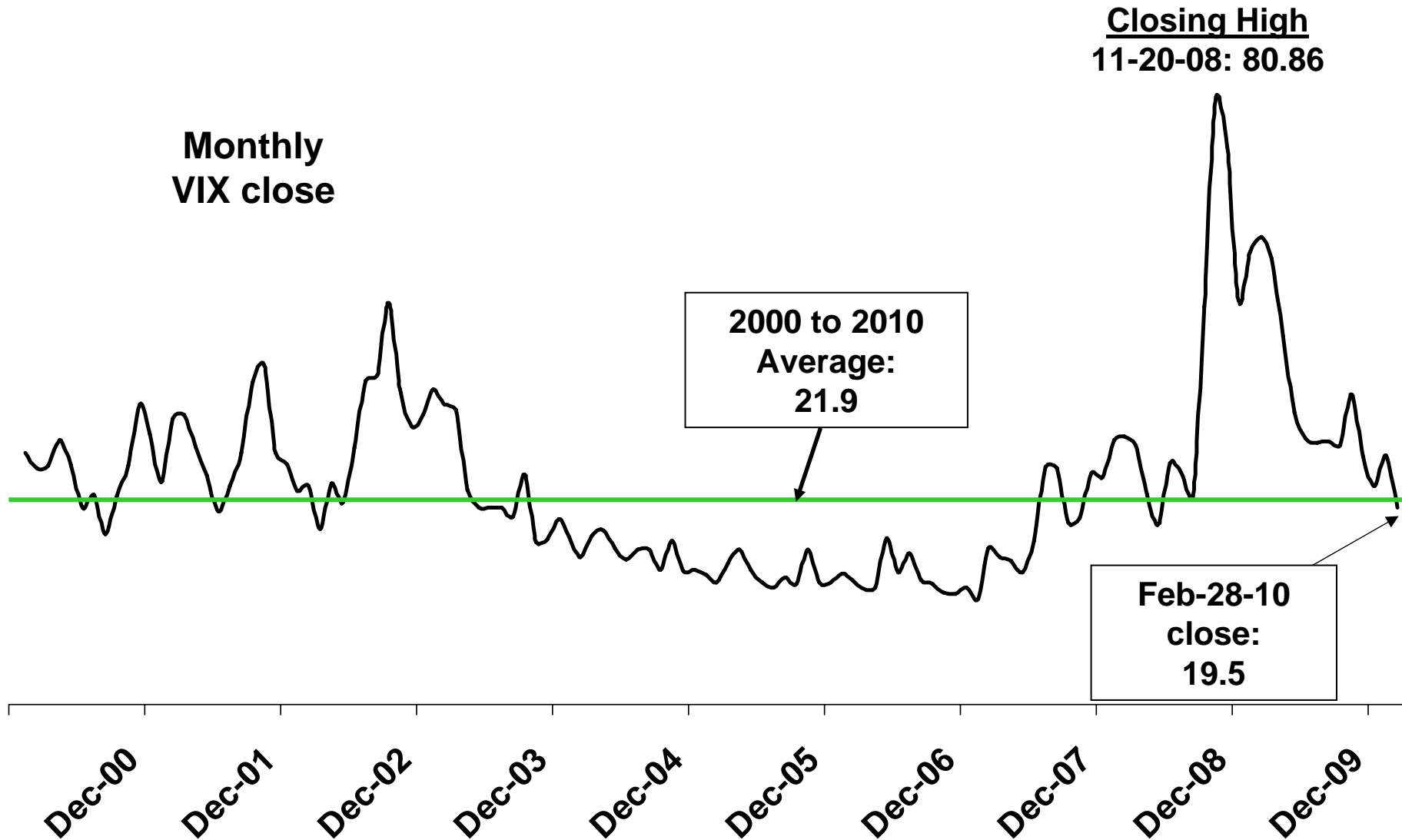
Gary McAnly, Director of Trading, Oppenheimer Capital

David W. Mortimer, Managing Director, Equity Options, Pipeline

# Although volume was flat in 2009, it is once again on the rise

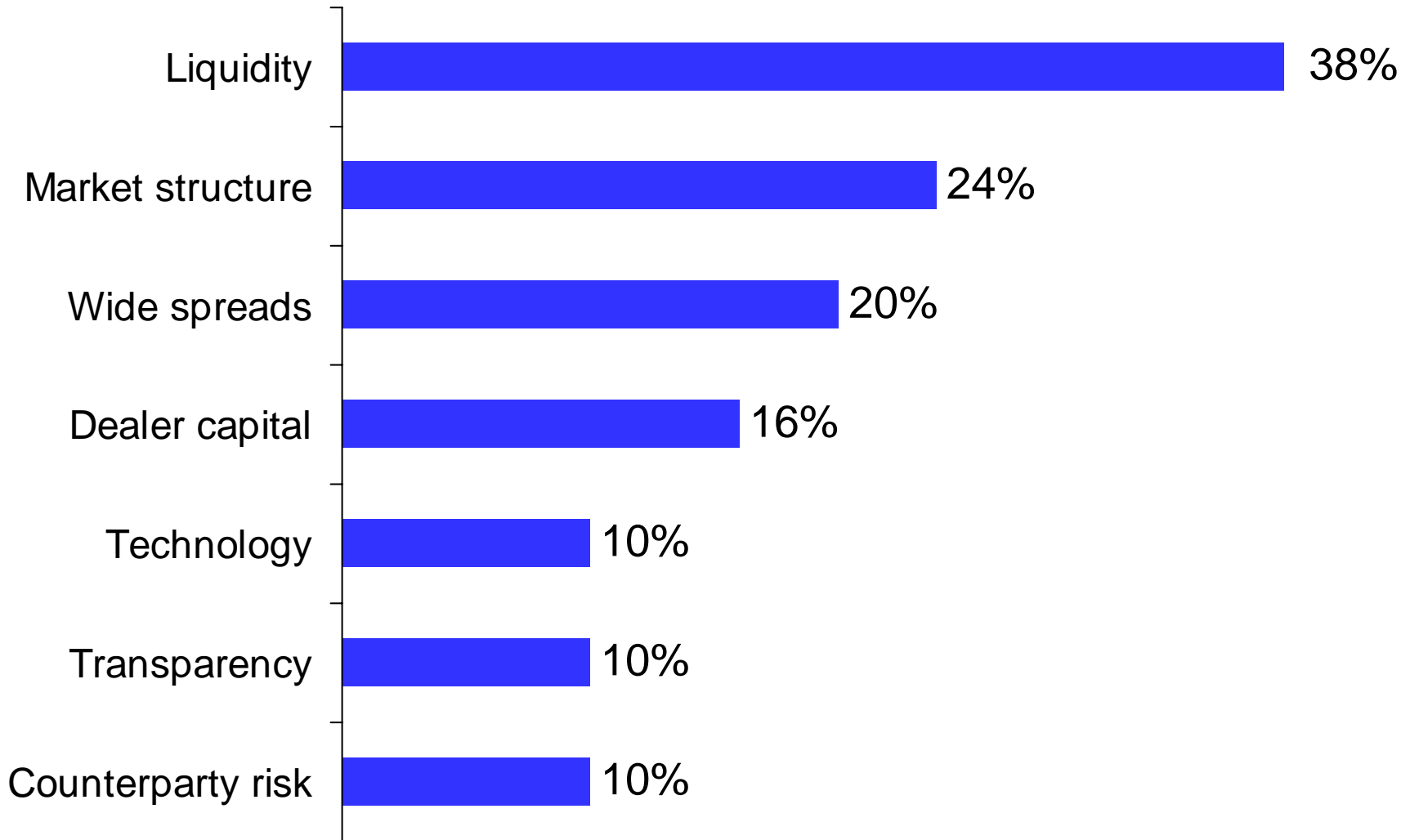


# Even as volatility has fallen below long term historical averages



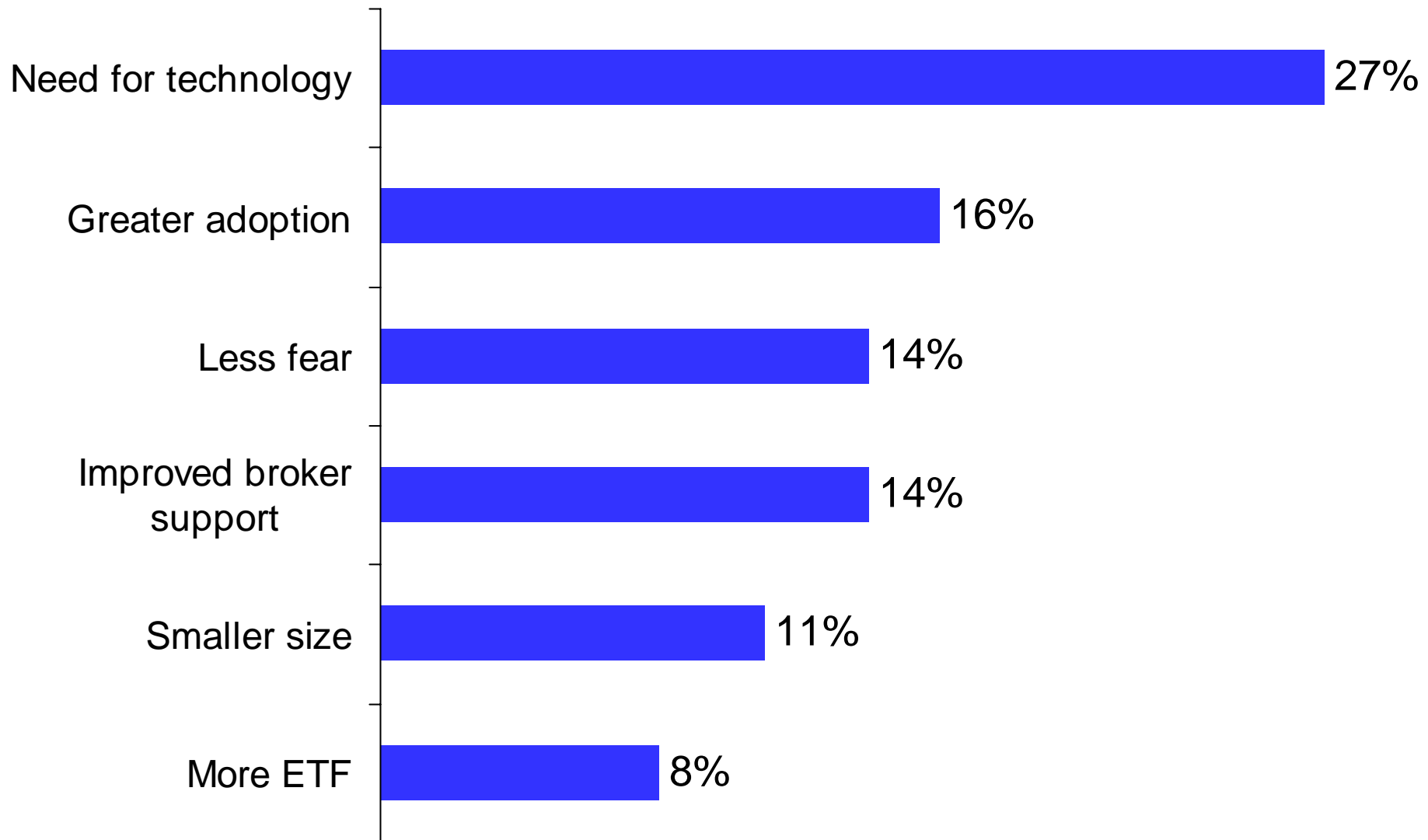
# A year ago options traders were facing an uncertain market environment

What is the biggest issue facing the options market (2009)?



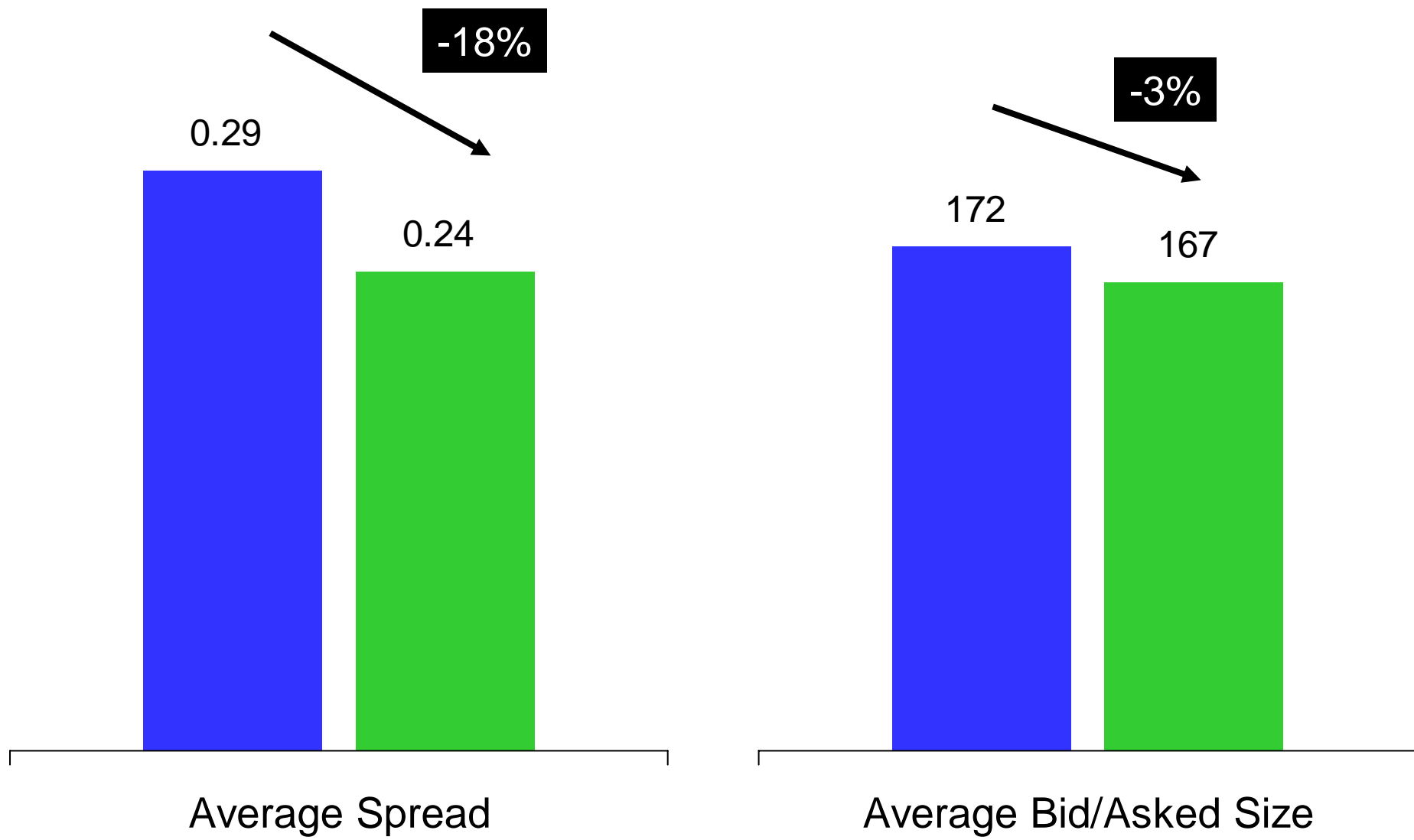
# Many challenges remain but the market environment is much improved

What is the biggest change in the past year?



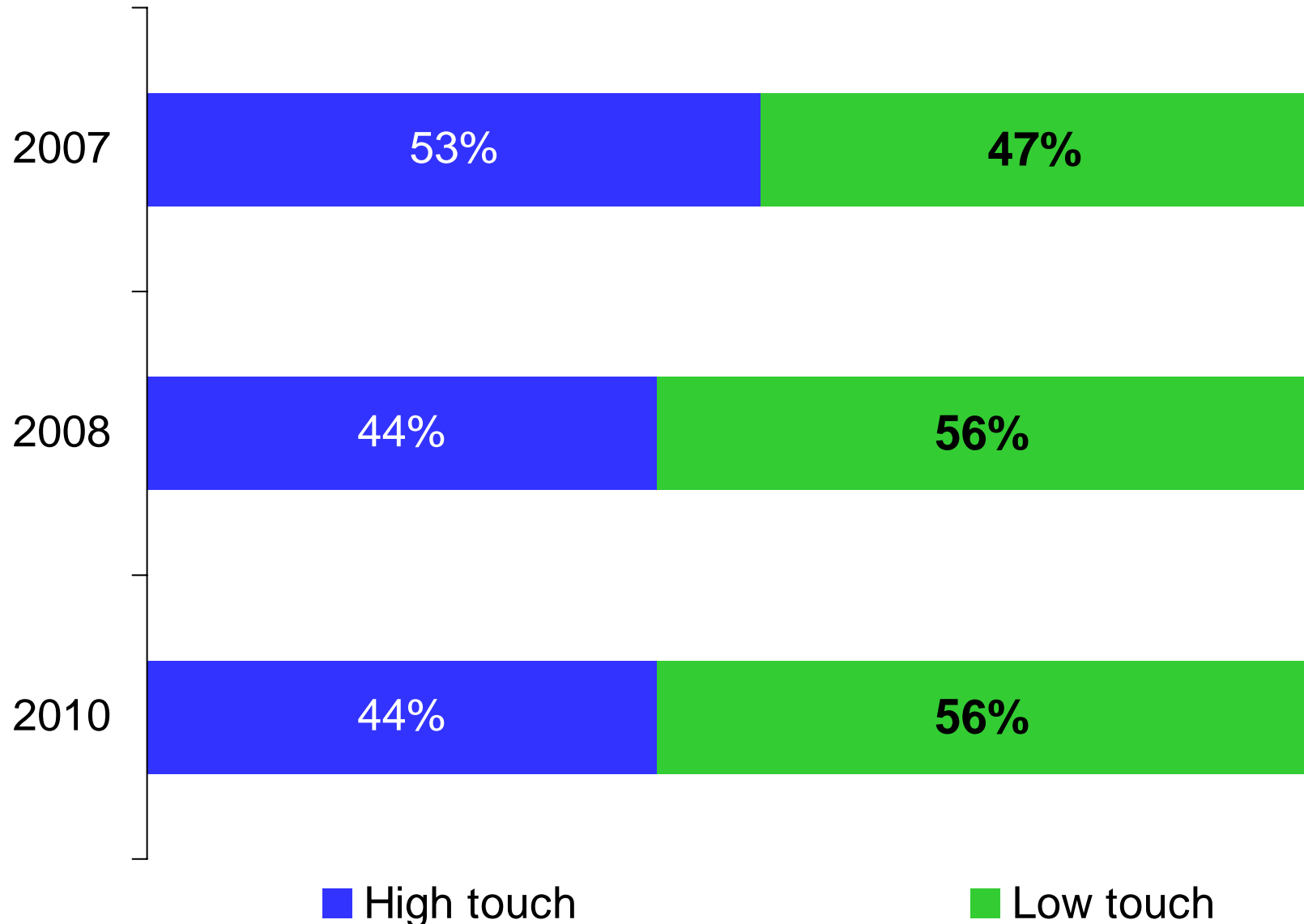
Source: TABB Group 2010 outreach

# Yet spreads are narrowing and size at top of book continues to fall



Source: TAG/TABB Group

# Technology is important but the phone—and brokers—still provide access to liquidity



Source: TABB Group outreach

# Key takeaways

- ▲ **The drop in volatility was comforting but also impacted strategies**
  - ▲ Less premium writing opportunities
  - ▲ Greater use of risk management strategies
- ▲ **Finding sufficient liquidity remains a constant challenge**
  - ▲ Faster markets & smaller size make block execution challenging
  - ▲ Reinforces the importance of brokers
  - ▲ OTC markets are still important for large firms
- ▲ **Traders use technology but still rely on the phone**
  - ▲ The phone is a prerequisite for block execution
  - ▲ The need to cut costs will drive technology initiatives
- ▲ **Brokers relationships will remain critical**
  - ▲ Traders need access to capital and service
  - ▲ The buy-side remains willing to pay for access

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