National Stock Exchange of India Limited

Circular

Department: COMMODITY DERIVATIVES	
Download Ref No: NSE/COM/56703	Date: May 13, 2023
Circular Ref. No: 19/2023	

All Members,

Daily Price Limit (DPL), Base Price & Close Price for Commodity Future Contracts - Update

In continuation to Exchange circular no. 47756 dated March 24, 2021, regarding Daily Price Limits (DPL) for Commodity Futures Contracts, members are requested to take a note of the following for the commodity derivatives segment.

1. Close price for Future contracts:

Close price for the future contracts shall be determined in following order:

a. Volume Weighted Average Price (VWAP) of all trades done during last half an hour of the trading day, subject to minimum of ten trades.
b. If the number of trades during last half an hour is less than ten, then close price shall be based on the VWAP of the last ten trades executed during the day.
c. If the contract has traded during the day but number of trades executed is less than ten, then close price shall be Last Traded Price (LTP) of the contract for the day.
d. If no trade is executed during the day on the contract, previous close price shall be the close price for the day (this shall be the base price in case of first trading day of the contract).

2. Base price for future contracts:

a. In case the close price of the future contract is computed as per point 1.a or 1.b above, then such close price shall be set as the base price.
b. In case the close price of the future contract is computed as per point 1.c or 1.d above, then daily settlement price of the contract shall be set as the base price.

3. Daily Price Limits (DPL) on First Trading Day (launch day) of the future contracts:

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a. At the start of trading the DPL as per initial slab shall be applicable on the base price computed on the previous day EOD. Base price shall be computed as the theoretical price of the contract. (S * e^rt; where, S is underlying price, r is the rate of interest and t is time to maturity)

Following shall be applicable to futures contracts only on the launch day of the new underlying commodity.

b. Base price shall be re-computed to revise the DPL during the trading hours in following order;
    I.   Volume Weighted Average Price (VWAP) of the first half an hour, subject to minimum of ten trades.
    II. If ten trades are not executed during the first half an hour, then the VWAP of first hour trade subject to minimum of ten trades shall be considered.
    III. If ten trades are not executed during the first hour of the day, then VWAP of the first ten trades during the day shall be considered (if an active order can result in more than total ten trades then post execution of the tenth trade such order with the remaining quantity shall get cancelled by the Exchange).

c. For each of the condition b.I & II above, a cooling off period of 60 seconds (post initial 30 mins & 60 mins of trading, respectively) shall be applicable, for the contracts to determine if the criteria to revise the Base price is met. In case of b.III, as soon as tenth trade is executed, criteria shall be deemed to be met and there will be no cooling off period. Once the criteria is met,

    I.   Revised base price of the contract shall be computed and DPL shall be reset considering such a revised base price and initial slab applicable for the underlying commodity.
    II. A message for revision in DPL shall be broadcasted.
    III. All the outstanding orders falling outside the revised DPL shall be cancelled and order cancellation message shall be sent.
    IV. Outstanding orders within revised DPL shall be retained in the order book.

    While carrying out above functions and during the cooling off period:

    V.   New order entry shall not be allowed.
    VI. Modifications of carried forward orders shall not be allowed.
    VII. Cancellations of carried forward orders shall be allowed.

d. DPL revised as per above, shall remain applicable for the contracts for the remainder part of the day and shall be subject to flex as per existing policy.
e. If the criteria for revised Base price is not met as per condition b.I above, contract will re-open for trading post the cooling off period, for condition b.II. Similarly, if the criteria for revised Base price

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is not met as per condition b.II, then the contract will re-open for trading post cooling off period, for condition b.III.

f.   If none of the conditions as mentioned in point b.I/II/III above to determine the revised base price is met during the day, base price and DPL set at start of market shall continue to be applicable for the remaining part of the day.

g.   From EOD of first trading day (launch day of the new underlying commodity) of the new contracts, base price shall be computed as mentioned under section "2. Base price for future contracts" above.

h.   **An identifier shall be provided in 'co_contract.txt' file in existing field which shall be referred as "Launch Day Indicator" with value as "Y" for such contracts for fir**st trading day (launch day of the new underlying commodity). For all other contracts, the value of this field shall be same as published currently.

For and on behalf of
National Stock Exchange of India Limited

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