

National Stock Exchange of India Limited

Circular

Department: FUTURES & OPTIONS	
Download Ref No: NSE/FAOP/53359	Date: August 19, 2022
Circular Ref. No: 90/2022	

All Members,

Pre-Trade risk controls

Market price protection for Future contracts

Exchange has a robust risk management framework and continuously reviews and implements various pre-trade risk control measures for ensuring orderly trading, effective risk management and price discovery. In the current state of market maturity / development and to create a conducive environment for all market participants, review and enhancements are required to optimize and strengthen the pre-trade risk control measures for preventing aberrant orders.

Accordingly, in continuation to Exchange consolidated circular in FO segment (Download No. 44482) dated May 27, 2020 and circular NSE/FAOP/51600 dated March 11, 2022 members are requested to note the implementation of following:

Revised handling of 'Market' **price** orders shall be applicable to Index Futures and Stock Futures contracts with book type RL / SL and time condition as Day / IOC:

- 'Market' **price** orders shall not be allowed in a contract which has not traded for the day i.e. LTP is not available for the day. Market orders received in such scenario shall be rejected by the Exchange and appropriate message shall be sent to respective trading terminal.
- Market Orders shall be allowed to be traded only up to certain mark-up/down price above/below Last traded Price (LTP).
- Buy market orders shall be allowed to trade till $(1+X\%)$ of LTP
- Sell market orders shall be allowed to trade till $(1-X\%)$ of LTP
- Mark-up/down of $X\%$ above/below LTP, shall also be subject to minimum absolute value in Rs.
- The initial/remaining quantity* post sweeping the counter orders up to mark-up/down price during matching, if any,
 - Shall be cancelled automatically, if counter orders are outstanding beyond mark-up/down price on opposite side of book and appropriate messages shall be sent to respective trading terminal.

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- Additionally, if the market order is placed with day condition,
 - Shall be passivated at best price at same side, based on price time priority, if no counter orders are outstanding beyond mark-up/down price on opposite side of book
 - Shall be passivated at LTP of the day (trade price of last trade of the day), if no orders are outstanding on both the side of book

** Remaining quantity could also be initial ordered quantity, if there are no outstanding counter orders between LTP & mark-up/down price when order was entered*

- For Stop loss (SL)-market order type, mark up/down price to allow order to trade upto certain price as per aforesaid mechanism shall be determined based on LTP of the contract when SL order gets triggered.
- Initially, the parameters to arrive at the mark-up/down shall be set as follows:

Instruments	LTP	% Of LTP	Minimum absolute Range (Rs.)
FUTIDX and FUTSTK	<=50	-	2.5
	>50	5%	-

Note: The Exchange may review the mechanism and various aforesaid applicable parameters from time to time based on the experience gained and inputs received from market participants / regulator.

Members should trade responsibly and cautiously, as trading away from normal prices and misleading or causing any disruptions in normal trading may result in inquiry, investigation, and regulatory actions.

These aforesaid changes shall be effective from trade date September 5, 2022 and shall be available for testing in mock being conducted on September 3, 2022.

For and on behalf of
National Stock Exchange of India Limited

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