National Stock Exchange of India Limited

Circular

Department: FUTURES & OPTIONS SEGMENT	
Download Ref No: NSE/FAOP/55667	Date: February 20, 2023
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All Members,

Pre-Trade risk controls – Update in Hard OPR Limits criterion and Introduction of Hard OPR Limits for Stock Options

This is in partial modification to Exchange circular no. NSE/FAOP/55152 dated January 06, 2023 regarding introduction of Hard OPR limits for Index Options.

Members are requested to note the following revised criterion (highlighted in bold) applicable for 'Contract level flexing' of operating price range (OPR) shall be subject to "Hard OPR limits":

- **'In case of 'Contract level flexing' where 'revised high OPR limit' is greater than applicable 'Hard OPR limit', the 'high OPR limit of that contract' shall be flexed to the prevailing 'Hard OPR limit.**
- Hard OPR limit applicable for the contract shall be computed as below:

  Hard OPR limit = High OPR limit# + The required underlying movement (in absolute terms) for enabling OPR flexing due to 'Underlying movement-based flexing' mechanism X Exchange Defined Multiplier

  (#Hard OPR limit applicable at the beginning of the day shall be computed considering high OPR limit applicable at beginning of the day)
- Exchange defined Multiplier shall be set as 1.5'.
- 'Hard OPR limit' shall be dynamic in nature, i.e., as soon as underlying movement based OPR flexing gets triggered, 'Hard OPR limit' applicable for the contract shall be revised considering prevailing high OPR limit & underlying movement (in absolute terms) required for enabling subsequent OPR flexing. Revised 'Hard OPR limit' shall be applicable until next such underlying movement based OPR flexing event.
- Validation of 'Hard OPR limit' shall not be applicable for low OPR limit flexing.
- Please refer Annexure for the illustration.
- 'Hard OPR Limit' criterion shall not be applicable to underlying movement-based flexing mechanism.

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Additionally, validation **of 'Hard OPR limit' for contract level flexing shall now be applicable for Stock** Options as well in line with Index Options.

Members are requested to note that the aforesaid changes shall be available for testing during mock session of March 04, 2023 and same shall be made effective from March 06, 2023.

The Exchange may review the aforesaid mechanism and various 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.

For and on behalf of
National Stock Exchange of India Limited

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Annexure

Scenario 1: Beginning of the day

- OPR of CE = 0.05 to 967.90
- Value of underlying movement (in absolute terms) required for enabling OPR flexing due to underlying movement-based flexing mechanism = 105.00
- Hard limit = 967.90 + 105.00 * 1.5 = 1125.40

It implies, High OPR of the contract shall not be flexed beyond 1125.40 due to contract level flexing mechanism.

Scenario 2: During trading hours (in continuation to scenario 1)

- Underlying moves upward by more than 105.00 points.
- OPR of CE = 0.05 to 1078.70
  (Assuming, High OPR limit is flexed from 967.90 to 1078.70 on account of underlying movement-based flexing mechanism)
- Value of underlying movement (in absolute terms) required for enabling subsequent OPR flexing due to underlying movement-based flexing mechanism = 420.00
- Revised Hard limit = 1078.70 + 420.00 * 1.5 = 1708.70

It implies, High OPR of the contract shall not be flexed beyond 1708.70 due to contract level flexing mechanism.