

National Stock Exchange of India Limited

Circular

| Department: FUTURES & OPTIONS SEGMENT | |
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| Download Ref No: NSE/FAOP/56127 | Date: March 24, 2023 |
| Circular Ref. No: 54/2023 | |

All Members,

Pre-Trade risk controls – Validation for Stop Loss Limit Order Entry

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.

Members are requested to note that below is an additional validation applicable for SL-Limit Order.

- Incoming SL-Limit order having difference between trigger price & limit price of greater than permissible limit, shall be rejected by the Exchange.
- Applicable formulation for the SL-Limit order shall be as follows:
 $Abs(\text{limit price} - \text{trigger price}) > 'X\% * \text{trigger price}'$
- Value of ' $X\% * \text{trigger price}$ ' shall be subjected to minimum absolute range.
- The parameter to arrive at permissible limit shall be set as follows:

| Instruments | Trigger price | X% | Minimum absolute Range (Rs.) |
|-------------------|---------------|-----|------------------------------|
| FUTIDX and FUTSTK | <=50 | - | 1.5 |
| | >50 | 3% | - |
| OPTIDX and OPTSTK | <=50 | - | 10 |
| | >50 | 20% | |

- The aforesaid validation shall be applicable for SL-Limit order modification request as well.
- Following error code shall be generated on rejection of order entry/order modification request:
16448 - Difference between limit price and trigger price is beyond permissible range

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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.

All other provisions mentioned in the aforesaid circular, shall remain unchanged.

Members are requested to note that the abovementioned changes shall be made effective in Live from April 03, 2023 and shall be available for testing in mock being conducted on April 01, 2023.

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

Khushal Shah
Associate Vice President

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