National Stock Exchange Of India Limited

Department : CURRENCY DERIVATIVES SEGMENT	
Download Ref No: NSE/CD/42849	Date : December 06, 2019
Circular Ref. No: 43/2019	

All Members,

Interest Rate Option contracts

This is in partial modification to Exchange consolidated circular no. NSE/CD/40964 dated May 09, 2019 and circular no. 42705 dated November 22, 2019 regarding introduction of trading on Interest Rate Options. Members are requested to note that:

A. Trade Execution Range:

The trade execution range for Interest Rate Option contracts shall be as below:

1) Orders shall be matched and trades shall take place only if the trade price is within the trade execution range based on the reference price of the contract.

2) Reference price for each contract shall be computed as follows:

- At market open – it shall be the theoretical price based on the corresponding expiry future’s base price, implied volatility and applicable rate of interest.
- During trading hours – it shall be the simple average of trade prices of that contract in the last 1 minute.
- For contracts that have traded in the last 1 minute, the reference price shall be revised throughout the day on a rolling basis at 1 minute intervals.
- For all other contracts the reference price shall be the theoretical price based on the latest available futures price and shall be revised throughout the day at regular intervals. (30 minutes).
- If implied volatility for the contact is not available, reference price of the option contract shall be its base price.
- For computation of theoretical price, BLACK 1976 options pricing model shall be used.

3) Execution range is the range on both sides of the reference price as given below:-

Instrument	Symbol	Reference Price (Rs.)	% of Reference Price	Minimum absolute Range (Rs.)
OPTIRC	ALL	0.0001 to 0.2500	-	0.0500
		0.2501 to 0.5000	-	0.1000
		>0.5000	20%	-

4) If any order which is within the operating range but which may result in a trade outside the execution range is entered then such an order (full or partial as the case may be) shall be cancelled by the Exchange.

5) The Exchange may modify the execution range as and when necessary.

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B. Base Price:

Base price shall be theoretical price on the 1st day of the contract computed using Black 1976 option pricing model and daily settlement price on all other days.

C. Reserve Strikes:

8 In-the-money and 8 Out-the-money reserve strikes for Interest Option Contracts shall be available in addition to eligible strikes (8 – 1 – 8).

The exchange, at its discretion, may enable the reserved strikes as mentioned above, intraday, if required and message for the same shall be broadcast to all trading terminals.

Members may please note that above shall be effective from December 09, 2019.

For and on behalf of
National Stock Exchange of India Limited

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