National Stock Exchange Of India Limited

Department: CURRENCY DERIVATIVES	
Download Ref No: NSE/CD/49119	Date: July 31, 2021
Circular Ref. No: 13/2021	

All Members,

Pre-Trade risk controls

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 risk control measures for preventing aberrant orders.

Accordingly, in partial modification to Exchange consolidated circular in CD segment (Download No. 44483) dated May 27, 2020, following is being implemented as mentioned below:

A. Quantity freeze

Quantity Freeze for Currency Future & Option Contracts shall be 5001 lots or greater i.e. orders having quantity up to 5000 lots shall be allowed.

Aforesaid change shall be effective from trade date August 2, 2021. Members are advised to take the updated cd_contract.gz file available on extranet path cdsftp/cdscommon before trading on August 2, 2021.

B. Alerts at the time of order entry in Future Contracts through Exchange provided NEAT Frontend (FE).

Exchange shall shortly release a new version of NEAT wherein an alert pop-up shall be generated for the members on frontend in case limit order price is greater than or equal to an X% of Reference price for buy orders and is lesser than or equal to X% Reference price for sell orders. Reference price shall be the LTP or Base Price of the contract.

Initially, the X value shall be set as 1%.

Exchange may review and change the 'X' value in future, if required.

The aforesaid functionality shall be in addition to the existing Market Price Protection functionality available to members in the NEAT Front End. Members are requested to refer to the mock circulars to be issued in this regard for complete details about the said functionality. They may also refer to the help menu of the latest exe that shall be released shortly. The effective date of the functionalities release shall be communicated separately.

C. Advisory to all Empanelled Vendors / Application Service Providers / Members developing and deploying Non Neat Frontend (NNF) systems.

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- Exchange strongly advises market participants developing and deploying NNF to build appropriate pre-trade checks, alerts and controls in their NNF systems in terms of order value and Price Protection Checks to ensure smooth and orderly trading. Vendors / members should stringently adhere to the various risk management and other checks as mandated by the Exchange / SEBI from time to time.

Members should refer section 3.1 of Exchange consolidated circular 44483 dated May 27, 2020 and SEBI circular no. CIR/MRD/DP/15/2015 dated July 16, 2015 regarding Trade Annulment. Any request for Trade Annulment shall be processed strictly in adherence to the said circulars. Accordingly, Exchange strongly recommends trading members to develop similar features as mentioned at B above to be made available to their dealers/clients. 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.

In view of the above implementation of aforesaid enhanced measures and on review of existing controls, members are requested to note that Trade Execution Range (TER) mechanism will not be applicable for all contracts traded in Currency Derivative Segment and accordingly, TER broadcast will also not be available with effect from August 16, 2021 (start of market hours).

For and on behalf of
National Stock Exchange of India Limited

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