

National Stock Exchange of India Limited

Circular

Department: COMMODITY DERIVATIVES	
Download Ref No: NSE/COM/57146	Date: June 16, 2023
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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 the below additional validation shall be applicable for SL-Limit Order.

- Incoming SL-Limit order having difference between trigger price and limit price of greater than permissible limit, shall be rejected by the Exchange.
- Formulation applicable for the aforesaid validation shall be as follows:
If $\text{Abs}(\text{limit price} - \text{trigger price}) > 'X\% * \text{trigger price}'$, Exchange shall reject the order.
- 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.)
Futures	≤ 50	-	1.5
	> 50	3%	-
Options	≤ 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.

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