

National Stock Exchange of India Limited

Circular

Department: Commodity Derivatives Segment	
Download Ref No: NSE/COM/66509	Date: February 05, 2025
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All Members,

Daily Price Limit (DPL) and Limit Price Protection (LPP) for Option contracts with Futures as underlying in Commodity Segment

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.

This is with reference to Exchange circular NSE/COM/61765 dated April 26, 2024 and NSE/COM/63055 dated July 24, 2024.

Exchange is enhancing the formulations of Daily Price Limit (DPL) based on the type of options contract for Commodity Segment:

Option Variant	Formulation
Options Contracts with Spot as Underlying	Existing mechanism shall continue as per Exchange circular NSE/COM/61765 dated April 26, 2024 read with NSE/COM/63055 dated July 24, 2024. Currently the DPL formulation applicable for Option contracts is a contract specific price range based on multiple factors including its delta value, DPR of Futures contract of the same commodity and volatility is computed and updated on a daily basis.
Options Contract with Futures as Underlying	To further strengthen the pre-trade risk control measures for preventing aberrant orders and to ensure orderly trading, the Exchange shall put in place the following mechanism of Daily Price Limit (DPL) & Limit Price Protection (LPP) for Options Contract with Futures as Underlying

1. For Options Contract with Futures as Underlying in Commodity Segment will have two pre-trade-risk-control(PTRC) measures (1.1 Daily Price Limit (DPL) 1.2 Limit Price Protection (LPP)).

1.1. Daily Price Limit (DPL) for Option contracts with Futures as underlying

A contract specific price range based on multiple factors including DPR of Futures contract of the same commodity and volatility is computed and updated on a daily basis.

In case of any extra-ordinary price movement in futures contract, the Exchange may now flex the DPR for option contracts. The updated DPL shall be broadcasted on trading terminals.

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1.2. Limit Price Protection (LPP) for Option contracts with Futures as underlying

1.2.1. Limit price protection (LPP) mechanism shall be applicable for Option on Futures contracts only. LPP range shall be the range on both sides of the reference price to validate price of limit orders.

1.2.2. Reference price for each contract shall be computed as follows:

1.2.2.1. At market open, reference price shall be the base price of the option contract.

1.2.2.2. During trading hours, it shall be the simple average of trade prices of that contract in the last 30 seconds. For contracts that have traded in last 30 seconds, the reference price shall be revised throughout the day at 30 seconds interval. For contracts that have not traded in the last 30 seconds, the reference price shall not be revised.

1.2.3. The LPP range on both the side of reference price shall be computed as follows:

Instruments	Reference Price (in Rs)	Absolute	% of Reference Price
OPTFUT	<=50	+ / - 30	-
	>50	-	+ / - 60%

1.2.4. Any incoming Limit order placed beyond LPP range shall automatically be rejected by the Exchange as below:

1.2.4.1. Buy order price > High LPP limit.

1.2.4.2. Sell order price < Low LPP limit.

1.2.5. The LPP validation shall also be applicable for the order modification requests. Order modification request having price beyond LPP limit (as in point 1.2.4 above) shall be rejected

1.2.6. LPP shall be an additional validation subject to order price being within prevailing Operating price range.

1.2.7. Following message shall be displayed on the respective trading terminal on rejection of the order on account of LPP validation.

“Order price is beyond LPP limit”

1.2.8. For the SL-Limit orders, aforesaid validation shall be applicable post trigger of the order while releasing in the RL book, considering prevailing LPP limits. Hence, members are requested to note the same while placing SL-Limit orders

1.2.9. LPP limit shall be flexed automatically when minimum 2 orders are rejected (on the same direction) on account of LPP validation, between two LPP revision events; AND when such orders involves minimum 2 unique UCCs and 2 unique TMs. LPP range shall be flexed in the corresponding direction in which the criteria are met.

1.2.10. Passive orders i.e. existing outstanding orders which are within the OPR, shall continue to remain in the order book even if the LPP range has moved and shall be matched as per price time priority.

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.

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Exchange shall also provide broadcast for the applicable Limit Price Protection Ranges for Non-NEAT frontend (NNF) users. Members are requested to note the following broadcast parameters provided for the LPP range:

Limit Price protection Range (LPP) Parameters			
Segment	Source 1		Approx bandwidth utilization
	Multicast IP Address	Broadcast Port	
Commodity Derivatives	239.55.55.51	55051	500 KBPS

The broadcast shall be available for NON NEAT Front End users effective from date of LIVE release.

The aforesaid changes shall be effective in live from trade date **February 10, 2025** and shall be available for testing in mock being conducted on **February 08, 2025**.

Members may take note of the same.

**For and on behalf of
National Stock Exchange of India Limited**

**Khushal Shah
Associate Vice President**

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