National Stock Exchange of India Limited

Circular

Department: FUTURES & OPTIONS	
Download Ref No: NSE/FAOP/64995	**Date: November 08, 2024**
Circular Ref. No: 144/2024	

All Members,

Enhancement of Dynamic Price Bands for scrips in the Derivatives segment – Sliding price band & Cancellation of orders beyond new price band with changes in Limit Price Protection for options contracts during cooling off period.

With reference to SEBI circular SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024, and Exchange circular NSE/FAOP/64627 dated October 18, 2024, with respect to implementation of SEBI circular para (D) Sliding price band on account of flexing and para (E) Trading in options segment during cooling off in underlying / futures contracts, the Exchange hereby notifies the below two updates.

Updates	Existing Criteria	Revised Criteria
1. Sliding price band on account of flexing as mentioned in Para (D) of SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024	In the event of a market trend in either direction, the dynamic price band shall be relaxed at a time in the direction of the price movement during the day in co-ordination with the other Exchange as follows: • If the last trade occurs at 9.90 % or more of the base price, the dynamic price band shall be relaxed to 15%. Subsequently, if the last trade occurs at 14.90% or more then the same would be relaxed to 20% and so on by relaxing dynamic price band in the manner defined in circular	Whenever the price band of a contract is flexed in the direction of price movement (in the manner as specified in NSE/FAOP/63405 dated August 14, 2024) on meeting the objective criteria of flexing (*i.e. 50 trades to be executed with 10 different UCCs and 3 trading members on each side of the trade as defined in circular NSE/FAOP/62241 dated May 30, 2024^^*), the price band on the other side (i.e. lower band in case of upward price movement and higher band in case of downward price movement) would also be flexed concurrently by equivalent amount in the direction of price movement. Thus, ensuring that the price band slides in the direction of price movement instead of expanding.

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Updates	Existing Criteria	Revised Criteria
	NSE/FAOP/63405 dated August 14,2024.	Further, pending orders with limit prices which are not within the new price band would be cancelled by the Exchange. **(Details in Annexure A)**
2. Trading in options segment during cooling off in underlying / futures contracts as mentioned in in Para (E) SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024	Existing LPP related norms as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814).	A temporary price floor or ceiling on LPP limits of stock options in the sentimental direction of price trend in the underlying, as applicable, would be placed once underlying triggers cooling off. **(Details in Annexure B)** Other than the above all other existing LPP related norms (as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814) shall continue.

The above shall be effective in Live from **November 18, 2024** and shall be available for testing in mock being conducted on **November 16, 2024**.

For and on behalf of
National Stock Exchange of India Limited

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Annexure A

Details of the Updates are as under:

1. **Sliding price band on account of flexing as mentioned in Para (D) of SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024:**

1.1. In this revised framework, if the dynamic price band of a futures contract is flexed in one direction, the price band on the other side would be flexed concurrently by equivalent amount in the direction of price movement. Accordingly, orders pending with limit prices beyond the new price band would be cancelled by the Exchange.

1.2. Illustration of sliding band

Upward flex scenario (Table 1.2.1)

Contract	Base price	Price band Applicable on start of day	Lower Band	Upper Band	If Upper price band Flexed to	Price Band as per existing framework	Price Band as per revised framework
A	Rs 100	10%	Rs 90	Rs 110	Rs 115	Rs 90-Rs 115	Rs 95-Rs 115

Downward flex scenario (Table 1.2.2)

Contract	Base price	Price band Applicable on start of day	Lower Band	Upper Band	If lower price band Flexed to	Price Band as per existing framework	Price Band as per revised framework
A	Rs 100	10%	Rs 90	Rs 110	Rs 85	Rs 85-Rs 110	Rs 85-Rs 105

1.3. Consequently, for upward flex scenario(Table 1.2.1), all pending orders with limit prices between Rs. 90 to Rs. 95 which are outside the new price band, would be cancelled by Exchange system automatically with appropriate intimation (details in point 1.6). However outstanding(not yet triggered) Stop Loss (SL) orders falling outside of such new price band shall not be cancelled. On trigger of the stop loss order, while releasing the order to the RL (Regular Lot / Main order book) book, only such orders with limit price within the prevailing price band shall be accepted by the Exchange system in the RL (Regular Lot / Main order book) book (as per extant mechanism). Similar treatment would be given in the scenario of downward flexing(Table 1.2.2).

1.4. Subsequently with respect to scenario mentioned in Table 1.2.1, if the price trends downwards on the same day and hits the new lower band i.e. Rs. 95 in the above illustration, the new price band after flexing will be Rs. 90 to Rs.110, provided the criteria is satisfied (criteria as per circular NSE/FAOP/62241 dated May 30, 2024^^).

(Table 1.4.1)

Contract	Base price	Current Lower Band	Current Upper Band	If lower price band Flexed to	Revised price band after flexing
A	Rs 100	Rs 95	Rs 115	Rs 90	Rs 90-Rs 110

1.5. In exceptional scenarios of highly volatile price movement in scrip/ futures contracts in the opposite direction within the cooling off period (for cooling off period refer NSE/FAOP/63405 dated August 14, 2024), the impending flex would be cancelled if the such price movement breaches the midpoint of the price band *(and also satisfies the objective criteria ^^ of flexing as per circular NSE/FAOP/62241 dated May 30, 2024, at or beyond the midpoint)* before such impending flex is applied. Examples of such scenario are as under:

1.5.1. **For upward flex** – With reference to example in Table 1.2.1, if price moves upwards at say 14:00 hrs and the new impending price band is Rs.95 to Rs.115 (existing band Rs.90 to Rs.110) with cooling off period - 14:00 hrs to 14:15 hrs. (NSE/FAOP/63405 dated August 14, 2024) and the underlying scrip's/contract's price moves in the opposite direction(downwards) within this cooling off period and breaches Rs.100 (i.e. midpoint of existing price band – ("(Rs.90+Rs110)/2") and also meets the objective criteria of flexing (*i.e. 50 trades to be executed with 10 different UCCs and 3 trading members on each side of the trade as defined in NSE/FAOP/62241 dated May 30, 2024*) at such price (Rs.100 or below). In such scenario, the impending actions of price flex in CM and FAO (NSE/FAOP/63405 dated August 14, 2024), i.e. sliding of price band and resultant order cancellation at 14:15 hrs shall be aborted. As a result of the above, the price band of the scrip/contract will remain at Rs.90 to Rs.110 even after 14:15 hrs.

1.5.2. **For downward flex** – With reference to example in Table 1.2.2, if price moves downwards at say 14:00 hrs and the new impending price band is Rs.85 to Rs.105 (existing band Rs.90 to Rs.110) with cooling off period - 14:00 hrs to 14:15 hrs. (NSE/FAOP/63405 dated August 14, 2024). And the underlying scrip's/contract's price moves in the opposite direction(upwards) within this cooling off period and breaches Rs.100 (*i.e. midpoint of existing price band – ("(Rs.90+Rs110)/2") and also meets the objective criteria of flexing (i.e. 50 trades to be executed with 10 different UCCs and 3 trading members on each side of the trade as defined in NSE/FAOP/62241 dated May 30, 2024*) at such price (Rs.100 or above). In such scenario, the impending actions of price flex in CM and FAO (NSE/FAOP/63405 dated August 14, 2024), i.e. sliding of price band and resultant order cancellation at 14:15 hrs shall be aborted. As a result of the above, the price band of the scrip/contract will remain at Rs.90 to Rs.110 even after 14:15 hrs.

1.5.3. **Illustration**

1.5.3.1. In case of Upward Flex trigger - When current Band is Rs.90-Rs.110 and the impending revised band is 95-115, and the LTP is < = Rs.100 (if the objective conditions as per ^^ are met) then flex won't be initiated.

1.5.3.2. In case of Downward Flex trigger - When current Band is Rs.90-Rs.110 and the impending revised band is Rs.85-Rs.105, and the LTP is > = Rs.100 (if the objective conditions as per ^^ are met) then flex won't be initiated.

1.5.3.3. Mid-Point = (High Band + Low Band)/2 i.e. (Rs.90+Rs.110)/2 = Rs.100.

1.6. Message dissemination details are provided as below:

Particulars	For NEAT+ users	For NNF Users
Error message upon cancellation of outstanding orders for being outside the revised price band/range	*"Order price is outside the revised price range"*	*NNF error code* ***16020*** *-* Order price is outside the revised price range
Message disseminated upon flexing of price band/range	"The revised price range for <Instrument> <Symbol> <Expiry date> is: Rs.<Min price> - Rs.<Max price>"	*NNF Transcode 7305 - BCAST_SECURITY_MSTR_CHG*

Annexure B

Details of the Updates are as under:

2. Trading in options segment during cooling off in underlying / futures contracts as mentioned in Para (E) SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024:

2.1. This is with respect to limit price protection (LPP) point number (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814 dated April 29, 2024, the below is the additional mechanism applicable to stock options:

2.2. A temporary price floor or ceiling on LPP limits of stock options in the sentimental direction of price trend in the underlying, as applicable, would be placed once underlying scrip triggers cooling off. This is summarised below:

2.2.1. If the Last Traded Price (LTP) of the stock options contract is available and not stale (2.2.3), the temporary floor or ceiling as applicable, would be linked to LTP of stock options contract.

2.2.2. If the LTP of the stock options contract is unavailable or stale (2.2.3), the temporary floor or ceiling as applicable, would be linked to theoretical price of the options contract.

2.2.3. Stale LTP - In case the reference price, used for prevailing LPP is not as per the Simple Average price (as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular reference NSE/FAOP/61814), the LTP shall be considered as stale LTP.

2.2.4. Such temporary floor or ceiling would allow certain absolute rupee movement (Y)[&&] or percentage movement (X)[&&] over the last traded price/ theoretical price to allow market participants to, for instance, hedge/close their open positions by executing trades in options during cooling off. Further to clarify, the current mechanism of dynamic LPP revision would be applicable based on the prevailing Simple Average Price (SAP) subject to capping at temporary ceiling and temporary floor. Applicability of ceiling/floor is only in the sentimental direction of price trend in the underlying. Illustration provided in point 2.2.11 & 2.2.12.

2.2.5. Temporary floor/ceiling parameters w.r.t point 2.2.3 shall be as under: -([&&])

Theoretical Price / LTP	% / Absolute
> 50	15%
<= 50	Rs.7.5

2.2.6. Once price band for underlying scrip is flexed, at the end of cooling off period, temporary floor or ceiling on option contracts on that underlying shall be revoked.

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2.2.7. Any incoming limit order placed beyond LPP range subject to the temporary floor or ceiling, shall automatically be rejected by the Exchange (*as per current LPP mechanism*) as below:

2.2.7.1. Buy order price > High LPP limit

i.e. Incoming buy orders within the cooling off period with limit price greater than temporary ceiling (High LPP limit range) will be rejected. However, Sell orders with limit price beyond the temporary High LPP limit shall be allowed.

2.2.7.2. Sell order price < Low LPP limit

i.e. Incoming sell orders within the cooling off period with sell order limit price lower than temporary floor (Low LPP limit range) will be rejected. However, Buy orders with limit price beyond the temporary Low LPP limit shall be allowed

2.2.8. 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

2.2.9. As per the current LPP mechanism, for SL(Stop loss)-Limit orders, aforesaid validations shall be applicable post trigger of the order while releasing in the RL (Regular Lot / Main order book) book, considering prevailing LPP limits. Hence, members are requested to note the same while placing SL-Limit orders

2.2.10. LPP computation & flexing for all the option contracts shall continue to work as per current logic (as explained in NSE/FAOP/61814 dated April 29, 2024) during the cooling off period, except applicability of ceiling or floor on LPP limits.

2.2.11. Illustration of applicability of ceiling/floor in sentimental direction:

Underlying flex direction	Call LPP		Put LPP	
	High	Low	High	Low
Upward	Ceiling	##	##	Floor
Downward	##	Floor	Ceiling	##

range as per existing LPP framework.

2.2.12. Illustration for Point 2.2.4, 2.2.5,2.2.6,2.2.10 & 2.2.11 is as under:

2.2.12.1. Upward Flexing Cooling Off

Event	Time (Cooling off from 9:17:01 to 9:32:00)	CE (Premium in Rs)			PE (Premium in Rs)		
		Reference Price*	LPP High	LPP Low	Reference Price*	LPP High	LPP Low
Before cooling off	9:17:00	100	140	60	100	140	60
At Trigger i.e. start of cool off	9:17:01	100	115 $	60	100	140	85$
During Cool Off Period	9:18:30	110	115 $	66# #	80	112	85$
	9:25:00	80	112 @	48	160	224 ##	96@
	9:32:00	100	115 $	60	100	140	85$
At cooling Off end #	9:32:01	100	140	60	100	140	60

Notes:

1. * - Reference price means the reference price used for prevailing LPP (as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814).
2. $ - LPP high is capped at 115 (assuming LTP at start of cool off is 100), irrespective of the change in LTP from 100 to 110. Similarly, LPP low capped at 85 irrespective of the change in LTP from 100 to 80.
3. @ - Current mechanism of dynamic LPP revision would be applicable based on the prevailing Simple Average Price (SAP) subject to capping at Temporary ceiling (i.e. High LPP of 115 for CE) and temporary floor (i.e. Low LPP of 85 for PE)
4. ## - Applicability of ceiling/floor is only in the sentimental direction. Current mechanism of dynamic LPP revision would be applicable based on the reference price used for prevailing LPP as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814).
5. # - Assuming 15 min. cool off period.as per circular NSE/FAOP/63405.

2.2.12.2. Downward Flexing Cooling Off

Event	Time (Cooling off from 9:17:01	CE (Premium in Rs)			PE (Premium in Rs)		
		Reference Price*	LPP High	LPP Low	Reference Price*	LPP High	LPP Low

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	to 9:32:00)						
Before cooling off	9:17:00	100	140	60	100	140	60
At Trigger i.e. start of cool off	9:17:01	100	140	85[$]	100	115[$]	60
During Cool Off Period	9:18:30	80	112	85[$]	110	115[$]	66[##]
	9:25:00	180	252[##]	108[@]	80	112[@]	48
	9:32:00	100	140	85[$]	100	115[$]	60
At cooling Off end #	9:32:01	100	140	60	100	140	60

Notes:

1. * - Reference price means the reference price used for prevailing LPP (as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814).
2. $ - LPP low is capped at 85 (assuming LTP at start of cool off is 100), irrespective of the change in LTP from 100 to 80. Similarly, LPP high is capped at 115 irrespective of the change in LTP from 100 to 110.
3. @ - Current mechanism of dynamic LPP revision would be applicable based on the prevailing Simple Average Price (SAP) subject to capping at temporary ceiling (i.e. High LPP of 115 - PE) and temporary floor (i.e. Low LPP of 85 - CE)
4. ## - Applicability of ceiling/floor is only in the sentimental direction. Current mechanism of dynamic LPP revision would be applicable based on the reference price used for prevailing LPP as per point (E) in chapter 1.15 Pre-Trade Risk Controls in Exchange circular NSE/FAOP/61814).
5. # - Assuming 15 min. cool off period.as per circular NSE/FAOP/63405.

Please note all other provisions as mentioned NSE/FAOP/61814 dated April 29, 2024, shall remain unchanged.

Following is the summary of earlier important releases pertaining to the Sebi Circular SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024.

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Sr. No	Particulars	Subject	Download reference no.	Date
1	SEBI Circular Forwarded by Exchange	Enhancement of Dynamic Price Bands for scrips in the Derivatives segment	NSE/FAOP/62199	27-May-24
2	(A) Enhancing conditions precedent before flexing price band	Market Parameters - Operating ranges applicable to Futures contracts - Update	NSE/FAOP/62241	30-May-24
3	(B) Aligning price bands between underlying and its futures contracts. (C) Strengthening Volatility/Risk Management and minimizing information asymmetry for extreme price movement	Market Parameters - Operating ranges applicable to Futures contracts - Update	NSE/FAOP/63405	14-Aug-24