

Master Circular – Surveillance (Currency Derivatives and IRD)

Contents

1	PRICE BANDS	2
1.1	Currency Derivatives	2
1.1.1	Currency Futures Contracts [including cross currency].....	2
1.1.2	Currency Options Contracts [including cross currency]	2
1.2	Interest Rate Derivatives.....	2
1.2.1	91-day Government of India (GOI) Treasury Bill Futures).....	2
1.2.2.1	Interest Rate Future contracts	2
1.2.2.1	Interest Rate Option contracts.....	2
1.2.2	Overnight Call rate (MIBOR) Future contracts	2
2	CHECKS & RISK CONTROLS.....	3
2.1	PAN-based Self-trade Prevention Check [STPC] Functionality:	3
2.2	Reversal Trades prevention check (RTPC) Functionality	3
2.3	Price Reasonability Check	4
2.4	Policy for Annulment of trades undertaken on BSE Trading platform.....	4
2.5	Abnormal / non-genuine trades.....	4
3	REGULATORY DISCLOSURES.....	5
3.1	Positions of Connected Entities in Currency Derivatives Segment of the exchange	5
3.2	Disclosure of Position of Connected Entities.....	5
4	TRADING AND SURVEILLANCE OBLIGATIONS FOR TRADING MEMBERS	5

1 PRICE BANDS

1.1 Currency Derivatives

Ref : SEBI circular No. SEBI/HO/MRD/DP/CIR/P/2016/0000000038 dated March 09, 2016

1.1.1 Currency Futures Contracts [including cross currency]

For currency future contracts, price bands are kept at +/-3% of the base price for contracts with tenure up to 6 months and +/- 5% of the base price / previous close price for contracts with tenure greater than 6 months.

1.1.2 Currency Options Contracts [including cross currency]

The Exchange has a contract specific price band based on the delta value of the options contract using previous close price of the underlying and volatility in Currency Derivatives Segment. These price bands can be relaxed intra-day based on the market trend.

1.2 Interest Rate Derivatives

Ref : SEBI vide circulars CIR/MRD/DRMNP/35/2013 dated December 5, 2013

1.2.1 91-day Government of India (GOI) Treasury Bill Futures)

The price bands for the T-Bills is +/- 1% of the base price / previous close price.

1.2.2.1 Interest Rate Future contracts

Initial price band at +/- 3% of the base price / previous closing price. If trade is executed at lowest/highest price of the band, it may be expanded by 0.5% after 30 minutes. Maximum two expansions in a day are allowed. SEBI in consultation with RBI may halt the trading in case of extreme volatility in the IRF market.

1.2.2.1 Interest Rate Option contracts

A contract specific price range based on its delta value is computed and updated on daily basis.

1.2.2 Overnight Call rate (MIBOR) Future contracts

Initial price band at +/-5% of the base rate. Whenever a trade in any contract is executed at the highest /lowest price of the band, Exchange may expand the price band for that contract by 5% in that direction after taking into account market trend or as may be decided by relevant authority

2 CHECKS & RISK CONTROLS

2.1 PAN-based Self-trade Prevention Check [STPC] Functionality:

With an objective to bring in more transparency, the Exchange, as a proactive measure introduced a functionality called the Self Trade Prevention Check, to prevent self-trades at the time of order matching at the UCC level in first phase, which was introduced in the derivatives segment on February 02, 2015.

The Exchange later extended the same functionality on PAN level on October 12, 2015 in the Currency Derivatives segment.

Self-trade prevention check is a feature that prevents matching between a buy & a sell order entered by single broker or multiple brokers

- In the same order book
- For the same client code - Originating from same or different terminals of the broker
- For different client codes having same PAN - Originating from trading terminals of different Brokers

For more details on the STPC functionality and its applicability, please refer to the notices given below-

Notice : [PAN-based Self-trade Prevention Check Mechanism - Enhancement](#)

[PAN-based Self-trade Prevention Check Functionality for Currency Derivatives segment – Update](#)

[PAN-based Self-trade Prevention Check in Currency Derivatives segment](#)

[Self-trade Prevention Check for Currency Derivatives segment](#)

2.2 Reversal Trades prevention check (RTPC) Functionality

Reversal Trade Prevention Check (RTPC) was introduced by the Exchange as a pro-active measure with an intention to prevent potential cases of trade reversal taking place on the Exchange trading platform. In this check, the second leg (latest leg) of a reversal trade on the same trading day is automatically cancelled by the Exchange at the time of order matching in an on-line real time manner in the trading system.

For more details on the RTPC functionality and its applicability, please refer to the notices given below-

Notice : [RTPC Check](#)

2.3 Price Reasonability Check

Price reasonability check (PRC) functionality was introduced as a measure to further strengthen the Exchange's pre-trade risk management framework. In PRC functionality, each new (incoming) limit order price is validated with the Exchange defined Price Reasonability Range (PRR). PRR is dynamically computed and applied by the trading system using a real-time reference price. The PRC functionality is applicable for all futures and option contracts of Equity Derivatives segment.

For more details on the PRC functionality and its applicability, please refer to the notices given below-

Notice: [PRC in Currency Futures](#)

[PRC in Currency Options](#)

[Revision in Price Reasonability Check for Currency Option Contracts](#)

2.4 Policy for Annulment of trades undertaken on BSE Trading platform

The Exchange introduced Policy on Annulment of Trades and defined suitable criteria so as to discourage frivolous trade annulment requests from the stock brokers being referred to the Exchange. The framework for processing the trade annulment requests from trading members for trades executed on the exchange trading platform is provided in the Notice link below.

Notice : [Policy of Trade Annulment in Currency Derivative Segment](#)

[Policy of Trade Annulment Review in Currency Derivative Segment](#)

2.5 Abnormal / non-genuine trades

Exchange has issued a notice to trading members advising them to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts across segments. Further, trading members were informed that any such activity observed may also attract levy of penalty of 100% of the traded value / profit made / loss incurred as a result of such trades.

Notice: [Abnormal / Non-genuine trades & Guidance note on Abnormal / Non – genuine trades](#)

3 REGULATORY DISCLOSURES

3.1 Positions of Connected Entities in Currency Derivatives Segment of the exchange

If the combined position of any group exceeds client level positions limits as given by SEBI circulars from time to time, the data of total open interest of each group in the USDINR, JPYINR, GBPINR & EURINR, EUR-USD, GBP-USD, USD-JPY currency pairs of the Currency Derivatives Segment shall be disseminated on the website of the Exchange, at the following link on BSE website. Which link?

3.2 Disclosure of Position of Connected Entities

The data of combined position of any group or group of clients in any of the Derivatives securities having the Higher of 1% of free float capital of the company or 5% of the Total Market Open Interest, is displayed at End of Day as and when the said criteria satisfies.

The data is displayed within 5 working days after last date of the preceding fortnight,

Link : [Disclosure of Position of Connected Entities](#)

4 TRADING AND SURVEILLANCE OBLIGATIONS FOR TRADING MEMBERS

The Exchange has provided a facility for effective surveillance at the member level wherein the Exchange has derived the transactional alerts that are downloaded to the trading members which facilitates the trading members to effectively monitor the trading activity of their clients

The Exchange disseminates alerts through e-BOSS System if the gross open position of the client on the basis of PAN across all contracts exceeds the aforesaid position limits or if the gross open position of the client on the basis of PAN across all contracts in a Currency Pair exceeds 3% of the total open interest of the previous day's trade at the end of the day.

Notice : [Surveillance Obligations for Trading Members](#)

**** End of Document ****