

NIFTY 50

Stock of the nation

NATIONAL STOCK EXCHANGE

1

Pre-Open Using Call Auction

October 14th, 2010

- ❏ Circulars
- ❏ What is Pre-open and why are we doing this?
- ❏ List of Securities
- ❏ Market Timings
- ❏ Order Types
- ❏ Equilibrium or Open price
- ❏ Matching Rules
- ❏ Risk Management
- ❏ Market Information during Pre-open
- ❏ Index Circuit Filter

- ❑ SEBI Circular No CIR/MRD/DP/21/2010 dated July 15 2010
- ❑ SEBI Circular No CIR/MRD/DP/27/2010 dated August 27 2010
- ❑ SEBI Circular No CIR/MRD/DP/32/2010 dated September 17, 2010
- ❑ NSE Circular No 117 / Download No 15981 dated October 12, 2010

What is Pre-open and why are we doing this?

- ❏ Pre open is a session to discover Opening-Price
- ❏ Going forward the Opening-Price will be the equilibrium price based on the demand and supply of the security and not based on the price of the first trade for the security
- ❏ Eliminate/minimize opening volatility in prices of securities
- ❏ Allow for overnight news in securities to be suitably reflected in the Opening-Price

- ❑ Securities forming part of BSE SENSEX & NSE NIFTY
- ❑ Changes in composition of these indices
 - Incoming securities will be included
 - Outgoing securities will be continued in Pre-open

Stock of the nation

Market Timings 1 – Pre open session

- ❏ Duration of 15 minutes
- ❏ 9 AM to 9:15 AM
- ❏ First 8 minutes - order collection period - order entry, order modification & order cancellation
- ❏ **System Driven Random closure** of order collection period anytime between 7th & 8th minute
- ❏ Next 4 minutes - order matching period – order matching and trade confirmation
- ❏ Next 3 minutes - buffer period - for transition from Pre-open session to normal market

Market timings moved by 15 minutes to accommodate Pre-open

- ❏ Cash Market Normal Trading – **9:15 AM** to 3:30 PM
- ❏ Block trading session – 35 minutes after normal market open viz. **9:15 AM** to 9:50 AM
- ❏ Odd Lot Market – **9:15 AM** to 3:30 PM
- ❏ Retail Debt Market – **9:15 AM** to 3:30 PM
- ❏ Securities Lending & Borrowing Scheme – **9:15 AM** to 3:30 PM
- ❏ Derivatives Market – **9:15 AM** to 3:30 PM

Currency Derivatives Market – 9 AM to 5 PM (**Same as Today – Unchanged**)

Allowed

- Limit price orders
- Market price orders (ATO – At The Open)

Not allowed

- Iceberg orders
- DQ (disclosed quantity) orders
- IOC (immediate or cancel) orders
- Orders Valid only for Pre-open session

- ❏ Limit price orders & market orders shall be considered for determining EP and OP
- ❏ Indicative equilibrium price is the price at which maximum quantity can be matched
- ❏ If there is more than one price point with same match-able quantity, then the Indicative equilibrium price will be the price at which the imbalance quantity is minimum
- ❏ If there is more than one price point with same match-able quantity, and same imbalance quantity then the Indicative equilibrium price will be the price which is nearer to the previous day's close price
- ❏ If there are no limit orders for a security its EP will not get discovered in the Pre-open session

Case 1 – No Matched Quantity

Buy		Price	Matched Quantity	Imbalance	Absolute Imbalance	Sell	
Cum Qty	Quantity					Quantity	Cum Qty
-		50.95	-	(268)	268	30	268
-		50.90	-	(238)	238	31	238
-		50.85	-	(207)	207	32	207
-		50.80	-	(175)	175	33	175
-		50.75	-	(142)	142	34	142
-		50.70	-	(108)	108	35	108
-		50.65	-	(73)	73	36	73
-		50.60	-	(37)	37	37	37
19	19	50.55	-	19	19		-
37	18	50.50	-	37	37		-
54	17	50.45	-	54	54		-
70	16	50.40	-	70	70		-
85	15	50.35	-	85	85		-
99	14	50.30	-	99	99		-
112	13	50.25	-	112	112		-
124	12	50.20	-	124	124		-
135	11	50.15	-	135	135		-
145	10	50.10	-	145	145		-

Case 2 – Single Matched Quantity

Buy		Price	Matched Quantity	Imbalance	Absolute Imbalance	Sell	
Cum Qty	Quantity					Quantity	Cum Qty
-		50.95	-	(306)	306	30	306
-		50.90	-	(276)	276	31	276
-		50.85	-	(245)	245	32	245
-		50.80	-	(213)	213	33	213
-		50.75	-	(180)	180	34	180
-		50.70	-	(146)	146	35	146
-		50.65	-	(111)	111	36	111
-		50.60	-	(75)	75	37	75
19	19	50.55	19	(19)	19	38	38
37	18	50.50	-	37	37		-
54	17	50.45	-	54	54		-
70	16	50.40	-	70	70		-
85	15	50.35	-	85	85		-
99	14	50.30	-	99	99		-
112	13	50.25	-	112	112		-
124	12	50.20	-	124	124		-
135	11	50.15	-	135	135		-
145	10	50.10	-	145	145		-

Equilibrium Price = 50.55

Case 3 – Two Matching Points with Unique Imbalance

Buy		Price	Matched Quantity	Imbalance	Absolute Imbalance	Sell	
Cum Qty	Quantity					Quantity	Cum Qty
-		50.95	-	(345)	345	30	345
-		50.90	-	(315)	315	31	315
-		50.85	-	(284)	284	32	284
-		50.80	-	(252)	252	33	252
-		50.75	-	(219)	219	34	219
-		50.70	-	(185)	185	35	185
-		50.65	-	(150)	150	36	150
20	20	50.60	20	(94)	94	37	114
39	19	50.55	39	(38)	38	38	77
57	18	50.50	39	18	18	39	39
74	17	50.45	-	74	74		-
90	16	50.40	-	90	90		-
105	15	50.35	-	105	105		-
119	14	50.30	-	119	119		-
132	13	50.25	-	132	132		-
144	12	50.20	-	144	144		-
155	11	50.15	-	155	155		-
165	10	50.10	-	165	165		-

Equilibrium Price = 50.50

Case 4 – Two Matching Points with same imbalance at Two Points

Buy		Price	Matched Quantity	Imbalance	Absolute Imbalance	Sell	
Cum Qty	Quantity					Quantity	Cum Qty
-		50.95	-	(267)	267	30	267
-		50.90	-	(237)	237	31	237
-		50.85	-	(206)	206	32	206
-		50.80	-	(174)	174	33	174
-		50.75	-	(141)	141	34	141
-		50.70	-	(107)	107	35	107
18	18	50.65	18	(54)	54	18	72
36	18	50.60	36	(18)	18	18	54
54	18	50.55	36	18	18	36	36
72	18	50.50	-	72	72		-
89	17	50.45	-	89	89		-
105	16	50.40	-	105	105		-
120	15	50.35	-	120	120		-
134	14	50.30	-	134	134		-
147	13	50.25	-	147	147		-
159	12	50.20	-	159	159		-
170	11	50.15	-	170	170		-
180	10	50.10	-	180	180		-

Previous Closing Price = 50.70, Equilibrium Price = 50.60

- ❏ If there are **only** market orders (ATO) on both buy and sell sides, they shall be matched at previous day's close price
- ❏ If there is no price discovered in the Pre-open session, the price for the first trade in the normal market shall be the Opening-Price (OP)

- ❏ Trade matching will take place as follows:
 - Match-able Buy Limit orders against Match-able Sell Limit orders
 - Imbalance Buy or Sell Eligible Limit orders against Market orders
 - Market orders against Market orders

- ❏ Unmatched orders will be carried over to normal market with their original time stamp
 - Limit orders @ limit price
 - Market orders @ Final Equilibrium price (Opening-price)
 - If Opening-Price is not discovered, market orders @ previous day's Closing-price

- ❏ Current risk management system will remain active
- ❏ All orders shall be validated for adequacy of margins
- ❏ Only those orders that satisfy the margin requirement shall participate in the Pre-open session
- ❏ Orders that do not satisfy the margin requirement shall be rejected

- Market depth
- Indicative Equilibrium price (EP) or Open price (OP) of a security
- Total buy and sell quantity for a security
- Total buy and sell quantity for market orders (ATO)
- Indicative NIFTY index value
- % change of EP or OP to previous day's close price
- NIFTY Market map & NIFTY Sparklines on nseindia.com

- ❏ If NIFTY open index value, determined at the end of the Pre-open session, breaches prescribed threshold limit – trading halt will be triggered as per SEBI circular No SMDRPD/Policy/Cir-37/2001 dated June 28 2001.
- ❏ All securities in pre open session will have a uniform Price Band of 20%.
- ❏ Trading halt shall be applicable for the normal market session
- ❏ No impact on the Pre-open session
- ❏ All eligible orders in the Pre-open session shall be matched, trades shall be confirmed and settled

NIFTY 5
THANK YOU
Stock of the nation