Cash-Futures Spread Facility in BSE Derivatives segment

A Cash-Futures Spread (CFS) is a new facility being introduced in BSE's Derivatives segment. The CFS facility shall be offered on all those underlying stocks on which derivative instruments are available for trading in BSE Derivatives segment.

Salient Features of Cash-Futures Spread (CFS) Facility

- The CFS facility shall consist of 2 legs viz. one equity segment leg and 2nd leg shall be the futures instrument leg. To facilitate this, CFS facility shall be available for trading across 3 contract months at any time, corresponding to the current, near and far monthly futures instruments on that underlying asset.

- Nomenclature: Nomenclature pattern for CFS facility shall be as follows –

Field Description	Asset Identifier	Month of Futures instrument	Year of Futures instrument	Identifier	
				Cash-Futures	Spread
No. of Characters/Digits	Four (4)	One (1)	Two (2)	Two (2)	One (1)
Illustration Relia-nce Ind. Ltd.) – RELI712CFS	RELI	7	12	CF	S

   Month shall be represented as follows –

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1	2	3	4	5	6	7	8	9	O	N	D

- Order Attributes:
    » A trader shall be able to enter orders as one single order.
    » This order shall reflect in the market watch & market picture views of that CFS facility.
    » Order types supported – Market, Limit, Market with IOC, Limit with IOC, Stop-loss
    » Order modification and cancellation shall be allowed.

- Trading Availability:
    » Availability for trading – Orders shall be allowed only if instruments of both Equity and Derivatives segments are available for trading. Moreover, orders shall not be allowed on maturity/ expiry of the futures instrument.
    » Market Segment availability – Orders shall not be allowed in case either of Equity or Derivatives segments is closed.
    » Orders shall not be allowed in the pre-open session (9:00am – 9:15am), closing session (3:30pm – 3:40pm) & post-closing session (3:40pm – 4:00pm).
    » Instrument suspension – Orders shall not be allowed if the instruments in either of Equity or Derivatives segment are suspended for trading.

» Member suspension – Orders shall not be allowed for a member if that member is suspended in either of the segments – Equity or Derivatives segment.

» Risk Reducing Mode (RRM) – Orders shall not be allowed for a member if that member is in RRM in either of Equity or Derivatives segment. That member shall be allowed to use CFS facility only if he is out of RRM in both segments. Moreover, in case of any open positions in either of Equity or Derivatives segment instruments, the member shall be able to square up those open positions individually in those instruments.

- Trade Execution:
  » A trade shall be executed when any order in a CFS matches with another opposite order entered in the same CFS.
  » Execution of 2 orders shall follow the existing price-time priority logic.
  » On execution of a trade, this trade shall then be split into two more trades – one trade on the equity segment instrument and the other trade on futures instrument, both belonging to the same underlying stock asset**.**
  » All 3 trades shall have the same order ID as that of the original trade executed on that particular CFS.
  » These 3 trades shall reflect accordingly in the member's trade book.

- The "trade rate" of each of the three trades generated as described above, shall be determined as given below –

Sr. No.	Trade Description	Trade Rate
Trade 1	Original CFS	Traded CFS rate
Trade 2	Equity segment instrument (1st leg)	LTP of equity segment instrument^
Trade 3	Futures instrument (2nd leg)	LTP of equity segment instrument^ + Traded CFS rate

^ - If LTP is not available, then previous close price of the underlying stock in the equity segment

- The reference price (LTP of equity segment instrument) used to generate the split trades shall be adjusted to the extent of nearest tick size of the futures instrument.

- Positions created:

Trade in CFS	Position in Equity segment instrument	Position in Futures instrument
Buy Order resulting in trade	Short Position	Long Position
Sell Order resulting in trade	Long Position	Short Position

Illustration of Trade using CFS facility & resulting positions
i)   Buy order in RELI712CFS resulting in trade @ Rs.5
This shall be split into 2 trades followed by creation of positions as follows –
Short Position in RIL @ Rs.722.65 (LTP of equity segment instrument)
Long Position in RELIJUL2012 @ Rs.722.65 + Rs.5 = Rs.727.65

ii) Sell order in RELI712CFS resulting in trade @ Rs.5

This shall be split into 2 trades followed by creation of positions as follows –

Long Position in RIL @ Rs.722.65 (LTP of equity segment instrument)

Short Position in RELIJUL2012 @ Rs.722.65 + Rs.5 = Rs.727.65

- Trade Management:
  - » Trade Rectification – client code modification shall be allowed on trades in the respective legs, i.e. equity segment and Derivatives segment. However, client code modification shall not be allowed on the trade in the CFS.
  - » Online trade Give-up/Take-up process in Derivatives segment – This shall be allowed on the trade in the futures instrument but shall not be allowed on the trade in the CFS.
  - » 6A/7A Position transfer process in the Equity segment – This shall be allowed on the trade in the equity segment instrument.
  - » Trade data indicators in Market watch, Market Picture views – Trades shall be added to the market statistics of respective segments and shall reflect in trade data indicators such as LTP, Open Price, High Price, Low Price, Close Price, No. of trades, Trade Volume and Open Interest of the respective instruments.

- Exchange Transaction Fees:
  - » Original CFS – Not applicable.
  - » Equity segment instrument – Transaction fees shall be levied as per the rates applicable for the Equity segment from time to time.
  - » Futures instrument – Transaction fees shall be levied as per the rates applicable for the Derivatives segment from time to time.

CFS Specifications for Trading

Underlying Asset	Corresponding Stock in the Equity segment
Market Lot	Same as that of the futures instrument of that underlying asset
Contract Months	1, 2, 3 months, corresponding to the current, near and far monthly futures instruments on that underlying asset
Tick Size	Rs.0.05
Trading Hours	9:15 a.m. to 3:30 p.m.
Last Trading/Expiration Day	Last Thursday of the month and where such a day is a holiday, the last trading day shall be the preceding business day.
Daily Settlement Price	1. Based on last 30 minutes VWAP average. 2. If there are no trades during the last half an hour, then the **Theoretical Price** would be taken as the official closing price.

Important Points to Note

1. Calendar Spreads
   - » Trade execution & trade rate methodology as described above for CFS shall be applicable for the existing calendar spreads as well.

»   Existing position creation methodology for calendars shall continue to be applicable.

2. A member shall be required to be active in both Equity as well as Derivatives segments to be able to use the CFS facility.

3. All trading rules of Equity segment shall apply to the equity segment leg of the CFS and all trading rules of the Derivatives segment shall apply to the futures instrument leg of the CFS, unless specified otherwise.

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