

Twitter Thread by Kirubakaran Rajendran



Kirubakaran Rajendran

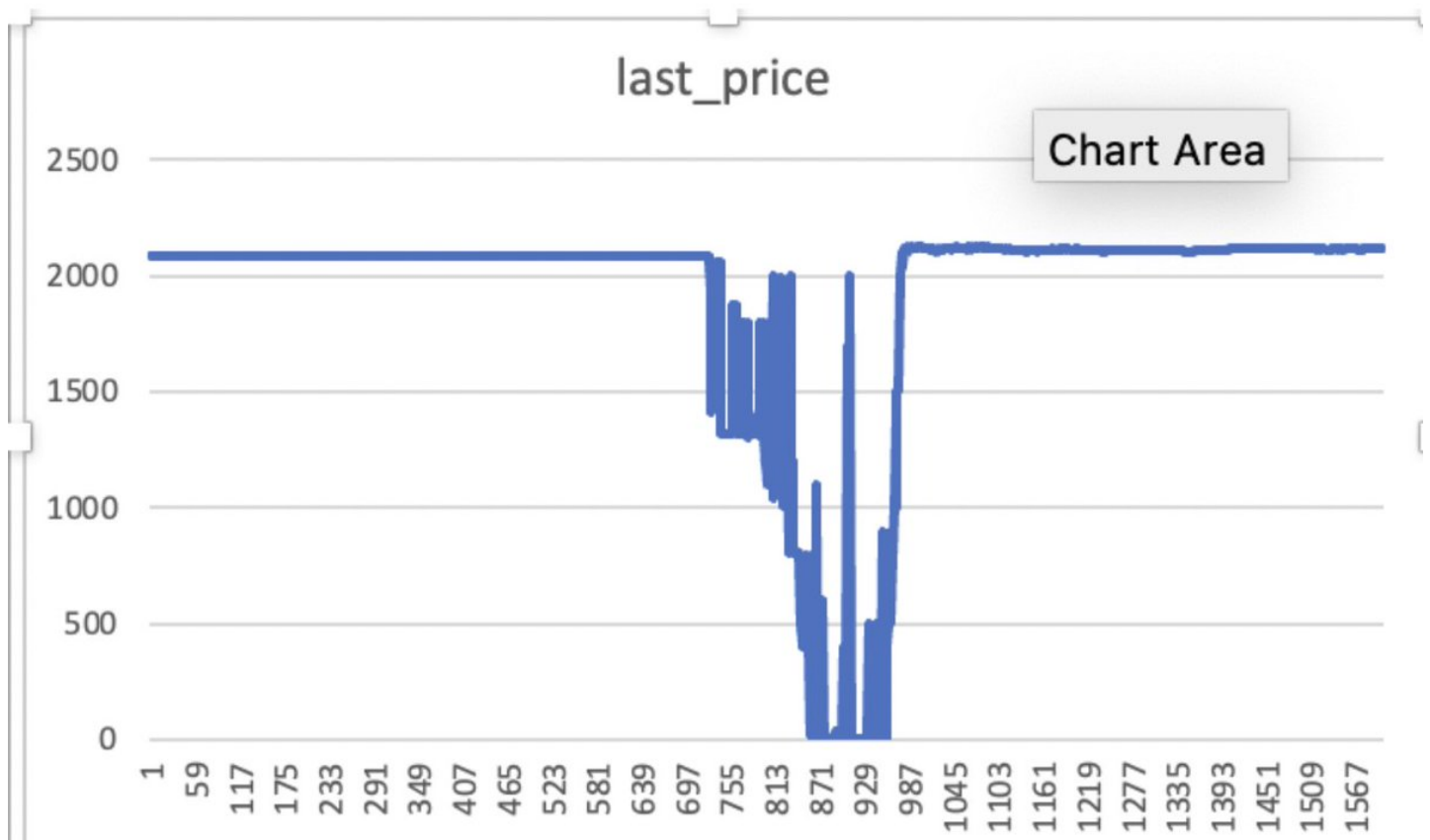
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Nifty 14500 CE trade which made day low price of 0.15 and day high price of 2139, due to erroneous order by a broker who lost 250 crores. Some ppl claim few others brokers made 50 to 75 crores profits. But what really happened? Here's the tick data analysis that shows true info■

Yesterday being a weekly expiry market was so calm, not making any major movements. Nifty was trading around 16500 but there was a freak trade happened with deep In the money option 14500 CE. It was trading around 2000 levels, usually the liquidity will be very shallow with ITM

it was hovering around 2000 to 2100 levels but suddenly around 2:30 pm, the price of the option went as low as 0.15 paise. Here's the tick data price chart of 14500 CE option strike



What's really interesting about this sudden move is, usually when a freak trade happens it last for few seconds and instantly get back to its average traded price levels. But in this case, there were many buy trades executed at a very low price.

Obviously this a fat finger error trade, where a broker based out of Kolkatta, erroneously placed sell order for 14500 CE instead of 16500 CE.

'Fat finger' trade on NSE may have cost broker ₹250cr loss

Brokerage Takes India's Biggest Hit After Pressing Wrong Key

TIMES NEWS NETWORK

Mumbai: A 'fat finger' trade, an error caused by punching a wrong key, hit the NSE's derivatives segment late on Thursday that could have caused a loss of Rs 200-250 crore to an unknown broking house which placed the order. This makes it the biggest such trading mistake in India. Nearly a decade ago, a trader at brokerage Emkay Global had incurred an estimated Rs 60-crore loss due to pressing a wrong key for price and quantity in Nifty derivative contracts.

A fat finger trade is an erroneous action due to a mouse misclick or punching a wrong key, which could lead to a huge loss for the one initiating the trade and a windfall gain for others.

On Thursday, between 2.37pm and 2.39pm, a trader sold 25,000 lots of Nifty call options at 14,500 strike at prices as low as Re 0.15. At that time, the market price for this contract was about Rs 2,100. Each lot of Nifty contract is for 50 numbers. So the estimated total loss is between Rs 200 crore

and Rs 250 crore, market players said (that is, 25,000 x 50 x Rs 2,000 = Rs 250 crore).

Market players said that at least two Kolkata-based brokers made windfall gains from the incident, with one richer by Rs 50 crore and the other by Rs 25 crore.

Officially, NSE has not commented on the issue. But, according to an exchange official, since it was between brokers, there was a likelihood that the trader who put the erroneous order had insurance and the loss would be covered.

When this trade was put into the exchange, the Nifty was hovering at 16,600 level. On Thursday, the index closed 105 points up at 16,628. Market players were scrambling for answers as to how such trades, with prices so far off from the ruling market level, could hit the exchange's trading engine. Officials at broking houses said that after the 2012 fat finger fiasco on the NSE, several broking houses had installed in-house systems to detect and kill such trades even before they could be transmitted to the exchange.

A recent media report said that to neutralise fat finger trades from hitting its trading engine, the NSE was to put an alert system for trades that were at a substantial premium or discount to the market price. However, on Thursday, no such system had kicked in, an investment adviser said.

HEAVY PRICE FOR TYPOS ON STREET

What's fat finger trade?

- It's an erroneous trade due to punching a wrong key on the keyboard or clicking the mouse at the wrong place
- For example, a trader sells 1L shares at ₹1,010 each while the market price is ₹1,100. The result: ₹90L loss
- So, it can be a huge loss for the initiator, and a windfall gain for others



How do such trades get fixed?

- Some broking houses & exchanges have in-house systems/filters to catch and stop such trades
- Some exchanges annul such trades with a warning
- Parties involved settle it among themselves too
- If taken, insurance can help too

Fat Finger Trades Led To Big Fat Losses Abroad And In India

\$600bn Inflated order for blue-chips in 2014 at a Japanese exchange	\$28bn Wrong transfers into several a/cs in 2018 at Deutsche Bank	₹60cr Loss an Emkay Global trader caused in Oct 2012 in Nifty contracts. It also led to a near 15% drop in the Nifty index, but failed to trigger a market-wide circuit breaker
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Tick Data Analysis:

Here's the time line analysis

This freak movement happened around 2:30 pm, when we checked the tick data of 14500 CE, we could see that last traded time was 12:57 for a long time. After 12:57 pm, there was no trade executed with the counter 14500 CE.

last_price	last_quantity	average_price	volume	buy_quantity	sell_quantity	ohlcv	change	last_trade_time	oi	oi_day_high	oi_day_low	timestamp
2087.6	50	1983.41	350	12000	7750	{'open': 1943, 'high': 2087.6, 'low': 1942.4, 'close': 2087.6}	2.86530833	02/06/22 12:57:28	550	650	550	02/06/22 14:34:07
2087.6	50	1983.41	350	10750	7750	{'open': 1943, 'high': 2087.6, 'low': 1942.4, 'close': 2087.6}	2.86530833	02/06/22 12:57:28	550	650	550	02/06/22 14:34:08
2087.6	50	1983.41	350	10750	8100	{'open': 1943, 'high': 2087.6, 'low': 1942.4, 'close': 2087.6}	2.86530833	02/06/22 12:57:28	550	650	550	02/06/22 14:34:09
2087.6	50	1983.41	350	10750	8050	{'open': 1943, 'high': 2087.6, 'low': 1942.4, 'close': 2087.6}	2.86530833	02/06/22 12:57:28	550	650	550	02/06/22 14:34:10
2087.6	50	1983.41	350	10750	7950	{'open': 1943, 'high': 2087.6, 'low': 1942.4, 'close': 2087.6}	2.86530833	02/06/22 12:57:28	550	650	550	02/06/22 14:34:11
2063.65	100	2063.28	14700	8750	8300	{'open': 1943, 'high': 2063.65, 'low': 1942.4, 'close': 2063.65}	1.68518564	02/06/22 14:34:08	550	650	550	02/06/22 14:34:12
1942.4	500	2011.91	52250	7750	8050	{'open': 1943, 'high': 1942.4, 'low': 1942.4, 'close': 1942.4}	-4.2893395	02/06/22 14:34:09	550	650	550	02/06/22 14:34:13
1407.6	250	1912.94	74300	2000	8100	{'open': 1943, 'high': 1407.6, 'low': 1942.4, 'close': 1407.6}	-30.641307	02/06/22 14:34:10	550	650	550	02/06/22 14:34:14
1412.65	150	1716.62	119900	0	7650	{'open': 1943, 'high': 1412.65, 'low': 1407.6, 'close': 1412.65}	-30.392471	02/06/22 14:34:11	550	650	550	02/06/22 14:34:15
2036.2	700	1721.53	121650	0	7600	{'open': 1943, 'high': 2036.2, 'low': 1412.65, 'close': 2036.2}	0.33260243	02/06/22 14:34:12	550	650	550	02/06/22 14:34:16
2036.2	700	1725.41	123150	0	7600	{'open': 1943, 'high': 2036.2, 'low': 1412.65, 'close': 2036.2}	0.33260243	02/06/22 14:34:13	550	650	550	02/06/22 14:34:17
2037.3	1000	1734.01	128850	0	7650	{'open': 1943, 'high': 2037.3, 'low': 1412.65, 'close': 2037.3}	0.38680431	02/06/22 14:34:14	550	650	550	02/06/22 14:34:18
2058.5	250	1735.39	129400	0	7650	{'open': 1943, 'high': 2058.5, 'low': 1412.65, 'close': 2058.5}	1.43142231	02/06/22 14:34:15	550	650	550	02/06/22 14:34:19
2038.35	550	1735.39	129400	0	7650	{'open': 1943, 'high': 2038.35, 'low': 1412.65, 'close': 2038.35}	0.43854246	02/06/22 14:34:15	550	650	550	02/06/22 14:34:20
2059.05	300	1738.34	130650	0	7650	{'open': 1943, 'high': 2059.05, 'low': 1412.65, 'close': 2059.05}	1.45852325	02/06/22 14:34:16	550	650	550	02/06/22 14:34:21
2059.65	200	1738.34	130650	0	7650	{'open': 1943, 'high': 2059.65, 'low': 1412.65, 'close': 2059.65}	1.48808791	02/06/22 14:34:16	550	650	550	02/06/22 14:34:22
2059.65	200	1739.32	131050	0	7650	{'open': 1943, 'high': 2059.65, 'low': 1412.65, 'close': 2059.65}	1.48808791	02/06/22 14:34:19	550	650	550	02/06/22 14:34:23
2059.65	200	1739.32	131050	0	7650	{'open': 1943, 'high': 2059.65, 'low': 1412.65, 'close': 2059.65}	1.48808791	02/06/22 14:34:19	550	650	550	02/06/22 14:34:24
2059.65	200	1739.32	131050	0	7650	{'open': 1943, 'high': 2059.65, 'low': 1412.65, 'close': 2059.65}	1.48808791	02/06/22 14:34:19	550	650	550	02/06/22 14:34:25
2059.65	200	1739.32	131050	0	7650	{'open': 1943, 'high': 2059.65, 'low': 1412.65, 'close': 2059.65}	1.48808791	02/06/22 14:34:19	550	650	550	02/06/22 14:34:26
1320.35	1000	1735.52	132250	0	7700	{'open': 1943, 'high': 1320.35, 'low': 1412.65, 'close': 1320.35}	-34.940501	02/06/22 14:34:27	550	650	550	02/06/22 14:34:27
1320.35	1000	1735.52	132250	0	7700	{'open': 1943, 'high': 1320.35, 'low': 1412.65, 'close': 1320.35}	-34.940501	02/06/22 14:34:27	550	650	550	02/06/22 14:34:28

Then around 14:34:08 a new trade happened. Next three seconds, LTP went from 2063 to 1407.

last_price	last_quantity	average_price	volume	buy_quantity	sell_quantity	ohlcv	change	last_trade_time	oi
2063.65	100	2063.28	14700	8750	8300	{'open': 1943, 'high': 2063.65, 'low': 1942.4, 'close': 2063.65}	1.68518564	02/06/22 14:34:08	550
1942.4	500	2011.91	52250	7750	8050	{'open': 1943, 'high': 1942.4, 'low': 1942.4, 'close': 1942.4}	-4.2893395	02/06/22 14:34:09	550
1407.6	250	1912.94	74300	2000	8100	{'open': 1943, 'high': 1407.6, 'low': 1942.4, 'close': 1407.6}	-30.641307	02/06/22 14:34:10	550

After that, next buy order came around 14:35:01 with 2000 quantity purchased at Rs. 1320. That's almost for 1 minute no other trades executed. Just one trade executed. Again next trade executed at 14:36:08 with 500 quantity purchased at 805 Rs.

The real jackpot buy trade came in after 14:36:51 with huge quantity purchased at less than Rs.2 thousands of quantity's were purchased at extremely low price around 14:37

last_price	last_quantity	average_price	volume	buy_quantity	sell_quantity	ohlcv	change	last_trade_time
2	1200	683.56	704050	5350	14950	{'open': 1943	-99.901451	02/06/22 14:37:44
1	1000	661.38	727750	7900	16300	{'open': 1943	-99.950726	02/06/22 14:37:46
1.1	1100	659.35	730000	7750	17350	{'open': 1943	-99.945798	02/06/22 14:37:46
1	1000	644.19	747200	7750	19350	{'open': 1943	-99.950726	02/06/22 14:37:47
2	500	641.26	751650	7750	18850	{'open': 1943	-99.901451	02/06/22 14:37:48
0.15	1000	633.07	761400	7750	18850	{'open': 1943	-99.992609	02/06/22 14:37:49
1.1	1300	623.86	772650	7750	19050	{'open': 1943	-99.945798	02/06/22 14:37:50
2.1	1000	618.63	779200	7850	20800	{'open': 1943	-99.896524	02/06/22 14:37:51
2	200	612.84	786600	7850	18850	{'open': 1943	-99.901451	02/06/22 14:37:52
2	1000	607.34	796200	7850	18950	{'open': 1943	-99.901451	02/06/22 14:37:53
1.25	1000	601.96	805800	7850	18850	{'open': 1943	-99.938407	02/06/22 14:37:54
0.2	1300	594.74	815600	7850	18750	{'open': 1943	-99.990145	02/06/22 14:37:55
0.15	200	592.2	819100	7800	18800	{'open': 1943	-99.992609	02/06/22 14:37:56
39	1000	587.97	825000	7800	19350	{'open': 1943	-98.078297	02/06/22 14:37:57
500	1500	583.56	833650	7800	18350	{'open': 1943	-75.362783	02/06/22 14:37:58
1	500	580.55	839350	7800	18900	{'open': 1943	-99.950726	02/06/22 14:37:59
2	1500	573.37	852500	7800	21900	{'open': 1943	-99.901451	02/06/22 14:38:01
0.2	500	569.92	858800	7800	21100	{'open': 1943	-99.990145	02/06/22 14:38:01
0.15	200	562.09	874000	7800	20050	{'open': 1943	-99.992609	02/06/22 14:38:02
1	50	558.1	884300	7800	20100	{'open': 1943	-99.950726	02/06/22 14:38:03
1	200	557.12	886400	11600	20900	{'open': 1943	-99.950726	02/06/22 14:38:04
1	1000	549.41	898950	10600	20800	{'open': 1943	-99.950726	02/06/22 14:38:05
0.15	1300	542.42	910550	10600	21600	{'open': 1943	-99.992609	02/06/22 14:38:07
2	1000	541.23	912550	10600	21600	{'open': 1943	-99.901451	02/06/22 14:38:07
500	900	534.98	923250	10600	24300	{'open': 1943	-75.362783	02/06/22 14:38:08
1	300	528.18	938050	10600	22900	{'open': 1943	-99.950726	02/06/22 14:38:09
0.15	100	521.97	952100	10600	23900	{'open': 1943	-99.992609	02/06/22 14:38:10
0.15	500	513.74	971700	10600	22500	{'open': 1943	-99.992609	02/06/22 14:38:11
0.15	950	509.99	978850	10600	22550	{'open': 1943	-99.992609	02/06/22 14:38:12
0.15	1500	506.65	985350	10600	23550	{'open': 1943	-99.992609	02/06/22 14:38:13
20	1500	504.76	989050	10600	19150	{'open': 1943	-99.014511	02/06/22 14:38:14
5	200	495.86	1007000	10600	20100	{'open': 1943	-99.753628	02/06/22 14:38:16

By 14:38 price of 14500 ce came back to its average traded price of 2000 levels. Then the liquidity in the counter increased, probably people who were luck to buy at the extremely low price were liquidating their position.

Conclusion:

Many people wrongly assumed that 1000's of lots were purchased at extremely low price of 0.15 paise. No, only few quantities were filled in at this lower price. Around 920 lots were purchased at an average price of 0.95 paise & Around 142 lots were purchased at 18

last_price	last_quantity	lots
1.25	200	4
1.25	1000	20
2	100	2
2	500	10
2	1000	20
2	1000	20
2	300	6
2	200	4
2	1300	26
2	1200	24
2	500	10
2	200	4
2	1000	20
2	1500	30
2	1000	20
2	500	10
2	1200	24
2.1	1000	20
5	200	4
11	50	1
11	100	2
11	500	10
15.25	600	12
15.25	600	12
15.25	1200	24
20	1500	30
20.1	1000	20
21	250	5
39	1000	20
40	50	1
40	50	1

If we calculate $920 \text{ lots} * 50 \text{ qty} * 1 \text{ Rs.} = \text{Rs. } 46,000$ total investment. Assuming they liquidated around 2000 Rs. then its $920 * 50 * 2000 = 9.2$ Crores. With an investment of around Rs.50k, someone made 10 crores. That's all, its not 100 of crores as we see in news.

So the windfalls profits or loss that we see on news media is highly exaggerated. Just because we see a extremely low price or high price in a chart doesn't necessarily mean most of the trades are executed at that extreme prices.

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