Twitter Thread by Navneet Saluja D'Souza



Navneet Saluja D'Souza
@EnSaluja



---THREAD ON F&O BAN---

■ What's F&O Ban?

Stock goes into ban when combined Open Interest (OI) of both Future & Options contracts across series & across exchanges exceeds 95% of Market Wide Position Limit (MWPL)

Reason for stock going in ban is to curb EXCESSIVE SPECULATION

■ What happens when stock goes into 'FNO ban'?
-One CANNOT take Fresh positions
-But CAN square off existing position

■ Can you trade?

Yes, you can take 'INTRA-DAY' position ONLY if your broker allows

But If intraday position 'NOT CLOSED '

Then exchange levies PENALTY of 1% of value of increased position subject to minimum penalty of 5k & max of 1 lakh

■ When stock is in ban can you reverse an existing position in a stock that is in FNO ban?

'YES'

Example

-If you are long on 2000 Call strike of RIL
-Can reverse with opposite position by selling 2000 Call strike

■ When does the stock come out of ban?

-When OI falls below 80% of MWPL

Note: Exchange releases MWPL data for all F&O stocks monthly

■ WHAT IS MWPL?

Limit used for calculating max no of positions allowed in F&O market

It is lower of:-
-30x avg no of shares traded daily in cash segment in preceding month

-20% of non-promoter holding (free float)

■ MWPL Explained with an Example
If equity base is 100

Non promoter holding is 60% (60 shares)

No of shares considered for MWPL will be 20% of 60 which is 12 shares

---THREAD CLOSE---