

## 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---