

# NSE directs brokers to implement risk reduction mode

## **Mumbai:**

Country's leading bourse National Stock Exchange (NSE) has asked trading members to 'compulsorily' implement a risk reduction mode when 95 per cent of their capital is utilised towards margins.

The move is applicable for the currency derivative segment and would be effective from February 10, NSE said in a circular.

"To enhance the risk management capabilities of the members and to avoid a situation of disablements, member shall be compulsorily placed in risk reduction mode when 95 per cent of the member's capital is utilised towards margins," it said.

The stock broker would be moved back to the normal risk management mode as and when the collateral of the stock broker was lower than 90 per cent utilisation level.

Under this mode, all unexecuted trades would be cancelled when 95 per cent of the stock broker's collateral available for adjustment against margins gets utilised.

When a member moves to risk reduction mode, fresh orders placed by trading member to reduce open positions will be accepted.

Besides, these fresh orders will be checked for sufficiency of margins and those which do not satisfy the criteria will be rejected.

In 2012, the exchange had set the limit for 'risk-reduction mode' at 90 per cent.