

---

**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all Members of the Exchange

Circular No. : NCDEX/TRADING-033/2021

Date : October 21, 2021

Subject : Launch of Implied Functionality.

---

In terms of the provisions of the Bye-Laws, Rules, and Regulations of the Exchange; the Members of the Exchange are hereby informed, that NCDEX is in process of launching the Implied Functionality.

NCDEX is planning to introduce Implied pricing capability for its Futures and Spread Contracts in a staggered manner. Implied Match orders will boost liquidity in all the contracts enabling linkage between the calendar spread book and the outright futures contract order book. Currently, NCDEX has separate calendar spread contracts available for trading.

**Implied functionality overview:**

Implied orders are generated by an implied match engine using outright real orders. There are two types of implied orders: Implied In and Implied out. Implied In is generated in the spread book while implied out is generated in the futures book. Any incoming order can match against the real order as well as the Implied orders in the book.

1. Implied In: Implied is generated in the spread contract and its price is derived from the orders standing in the outright futures contracts. The logic of implied in generation will be as follows:

Leg 1 order	Leg 2 order	Calendar Spread Order	Price	Quantity
Sell	Buy	<b>Implied In Buy</b>	P <sub>Leg2</sub> -P <sub>Leg1</sub>	Minimum(Q <sub>Leg2</sub> , Q <sub>Leg1</sub> )
Buy	Sell	<b>Implied In Sell</b>	P <sub>Leg2</sub> -P <sub>Leg1</sub>	Minimum(Q <sub>Leg2</sub> , Q <sub>Leg1</sub> )

2. Implied Out: Implied outs can be generated in the outright leg book from orders: one in the spread book and one in the other future leg of the calendar spread. The logic of implied out generation will be as follows:

Leg 1 order	Leg 2 order	Calendar Spread Order	Price	Quantity
Sell	<b>Implied Sell</b>	Sell	PLeg1+PSpread	Minimum (QSpread, QLeg1)
<b>Implied Buy</b>	Buy	Sell	PLeg2-PSpread	Minimum (QSpread, QLeg2)
Buy	<b>Implied Buy</b>	Buy	PLeg1+PSpread	Minimum (QSpread, QLeg1)
<b>Implied Sell</b>	Sell	Buy	PLeg2-PSpread	Minimum (QSpread, QLeg2)

**Spread Range (SR) Calculation:**

Upper SR = (Leg2 Upper Price Band – 1 Tick) – (Leg1 Lower Price Band + 1 Tick)

Lower SR = (Leg2 Lower Price Band + 1 Tick) – (Leg1 Upper Price Band - 1 Tick)

**Key features:**

- Implied orders are generated anchoring top price point orders in leg and spread books.
- Implied mechanism shall ensure the compliance of Self Trade Prevention (STP).
- Added liquidity in the far month contract also helps enhance overall liquidity.
- Improves and maintains price efficiency across contracts.

**To start with, the Exchange would be launching the implied on below mentioned futures contracts and the spread contracts**

Trading Symbol	Expiry date
CASTOR17NOV2021	17-NOV-2021
CASTOR20DEC2021	20-DEC-2021
CASTOR20JAN2022	20-JAN-2022

Trading Symbol (Spreads)	Expiry date
CASTORNOVDEC2021	17-NOV-2021
CASTORNOVJAN2022	17-NOV-2021
CASTORDECJAN2022	20-DEC-2021

In order to familiarize the market participants with the implieds functionality, Exchange shall conduct mock trading sessions, details of which shall follow in a separate circular. Members are advised to participate in these mock trading sessions to test the functionality and understand the benefits it will offer.

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Arun Yadav  
Senior Vice President - Product

For further information / clarifications, please contact

1. Abhishek Rajurkar, AVP, Quant and Market Structure: [abhishek.rajurkar@ncdex.com](mailto:abhishek.rajurkar@ncdex.com)
2. Customer Service Group on toll free number: 1800 26 62339
3. Customer Service Group by e-mail to: [askus@ncdex.com](mailto:askus@ncdex.com).