FAQ on "Closing Auction Session (CAS) in the Equity segment and changes in Equity Derivatives Segment"

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A. Applicability and Overview

1. What is the Closing Auction Session (CAS) and why has MSE introduced it in the Equity Cash Segment?

Closing Auction Session (CAS) is a dedicated auction mechanism conducted after the Continuous Trading Session (CTS) for eligible securities in the Equity Cash Segment. Its primary purpose is to determine the closing price through an equilibrium price discovery process rather than through the normal last-traded or standard closing methodology. MSE has introduced CAS in line with regulatory directions and market framework changes so that the closing price of eligible securities is discovered in a transparent, orderly, and robust manner at the end of the trading day.

2. Is CAS applicable to all securities in the Equity Cash Segment from the date of introduction?

No. CAS is to be implemented in a phased manner. Initially, it shall apply only to those securities in the Equity Cash Segment on which derivative contracts are available, or to such securities as may be notified by the Exchange from time to time. Members should therefore rely on the latest MSE circulars, security masters, and other official notifications to identify securities that are covered under CAS.

3. Does the introduction of CAS in the Equity Cash Segment also mean that CAS is being conducted in the Equity Derivatives Segment?

CAS, as a closing auction mechanism, applies to the Equity Cash Segment. However, there are linked operational implications for the Equity Derivatives Segment, particularly in relation to stock futures price bands and system behaviour near the close. MSE has separately issued API and operational updates for the Equity Derivatives Segment so that price bands, interface behaviour, and related controls remain aligned with the broader CAS framework wherever required.

4. If a security is no longer eligible under the CAS applicability framework, how will its closing price be determined?

If a security is not covered under CAS, or if it ceases to remain eligible under the applicable framework, the closing price for that security shall continue to be determined under the existing MSE mechanism applicable to non-CAS securities. Members should not assume permanent applicability and should instead follow the latest Exchange notifications for security-wise treatment.

5. Will MSE issue separate circulars, notices, or system advisories if the scope, technical design, or applicability of CAS changes over time?
Yes. MSE may issue separate circulars, operational guidelines, technical advisories, interface documents, and security-level notifications from time to time regarding expansion of CAS applicability, revisions in technical specifications, or any other operational changes. Members are expected to keep their systems and processes aligned with the latest Exchange communication.

B. Reference Price, Price Band, and Eligibility Framework

6. How is the reference price for CAS determined in the Equity Cash Segment, and what fallback logic applies if sufficient trades are not available?
The reference price for CAS in the Equity Cash Segment shall be determined based on the Volume Weighted Average Price (VWAP) of trades executed in the security during the period 3:00 p.m. to 3:15 p.m. If no trade takes place during that period, the Last Traded Price (LTP) of the security during the day shall be taken as the reference price. If there is no trade in the security during the day, the previous trading day's closing price shall be taken as the reference price. In case of corporate action, the adjusted closing price or base price, as applicable, shall be considered.

7. What price band is applicable during CAS and is this price band static or dynamic during the session?
The applicable price band during CAS in the Equity Cash Segment shall be ±3% of the reference price of the security. This CAS price band is static during the session and is not intended to behave like a continuously flexing band within the auction itself. Accordingly, orders outside the applicable CAS price band are not permitted and may be rejected, cancelled, or otherwise rendered ineligible in accordance with the Exchange framework.

8. What happens to existing outstanding orders if they fall outside the revised CAS price band at the time of transition from CTS to CAS?
Outstanding eligible orders that fall outside the revised CAS price band are liable to be cancelled by the Exchange during the transition to CAS. In addition, orders that are not permitted in CAS, such as stop loss orders or disclosed quantity orders, are also liable to be cancelled during the transition. Members should therefore ensure that their systems can handle such cancellations and related session transitions correctly.

9. Will the reference price and price band for a security be the same across exchanges, or are these determined independently by each exchange?
Reference price computation, CAS handling, and related price band application are exchange specific. Members should therefore rely on the MSE dissemination, circulars, and market data framework for MSE-related handling and should not assume that another exchange will necessarily compute or apply the same values in the same way.

C. Timings, Transition Period, Order Entry Windows, Matching, and Buffer Period

10. What are the main stages of the CAS process on MSE, and how should members understand the timing structure around market close?
The CAS framework broadly includes a transition period from CTS to CAS, an order entry window, an order matching and confirmation period, and a buffer period used to facilitate transition to post-closing processes. Members should rely on the exact timings notified by MSE through circulars, technical documents, and session advisories, but operationally they should understand CAS as a multi-stage process rather than a single event at the end of normal trading.

11. What is the transition period from CTS to CAS, and what happens during that period?
The transition period is the time window immediately after the relevant CTS phase for CAS-eligible securities closes and before auction order entry becomes active. During this period, the Exchange may compute and disseminate the reference price, revise the applicable CAS price bands, identify and cancel ineligible outstanding orders, and prepare the market and system environment for the auction session. This period is therefore operationally important for both members and trading systems.

12. Are members permitted to place, modify, or cancel orders during the transition period from CTS to CAS?
Fresh order entry and order modification are generally not permitted during the transition period from CTS to CAS. Members should rely on the Exchange's session rules and technical specifications for the exact treatment of cancellation requests during that window. In practical terms, this period is intended to support orderly migration from normal trading to auction trading rather than to serve as an active order-entry phase.

13. What is the order entry period in CAS, and are all order types allowed throughout that period?
The order entry period is the stage in which members may place eligible auction orders for CAS in accordance with the Exchange session rules. Depending on the notified framework, this period may include an initial phase in which both limit and market orders are allowed, followed by a later phase in which only limit order activity is permitted. Members should therefore not assume uniform permissions across the full order entry window and must align their front-end and API logic to the session structure communicated by MSE.

14. What is the order matching and confirmation period in CAS, and what takes place during that stage?
The order matching and confirmation period is the stage that begins after completion of the order entry window. During this stage, the Exchange performs equilibrium price determination, matches eligible buy and sell orders according to the auction logic, confirms trades, and finalizes the closing price for CAS-eligible securities. Members should treat this as a system-driven matching stage rather than a live order-entry phase.

15. What is the purpose of the buffer period after CAS, and why is it important for members?
The buffer period is the operational window after order matching and trade confirmation that allows the Exchange to complete transition from CAS to post-closing processes and any subsequent market or system activities. It is important because system states, disseminated values, trade confirmations, and downstream processing may continue to stabilize during this phase. Members should therefore ensure that their back-office, reconciliation, and interface logic correctly account for this post-matching period.

16. Will there be any system-driven random close, market order freeze, or other session control within the CAS window?
Members should refer to the latest MSE session design, technical specifications, and API documents for the exact treatment of any random close or session-control mechanism, if applicable. Where such controls are notified, they will be implemented through the Exchange system and reflected in the corresponding session handling, interface responses, and dissemination messages. Members should therefore ensure that their systems are able to respond correctly to stage changes within the auction process.

D. Order Types, Order Handling, and Order Priority in CAS

17. What types of orders are permitted during CAS, and how are those orders considered for price discovery?

Only limit orders and market orders are allowed in CAS, and both types are reckoned for computation of the equilibrium price, subject to the session-wise rules prescribed by the Exchange. Orders that are not specifically permitted for CAS should be treated as ineligible. Members should therefore ensure that their trading systems allow only those order types and order attributes that are valid for the applicable CAS stage.

18. Are disclosed quantity orders, stop loss orders, and other special order types permitted during CAS?

No. Disclosed quantity orders are not permitted in CAS, and orders must be disclosed in full quantity. Stop loss orders are also not allowed in CAS. Any other special order type or attribute should be treated strictly in accordance with the latest MSE trading system specifications, circulars, and API documentation. If an order type is not specifically permitted under the CAS framework, members should not assume that it will be accepted.

19. Are algo orders allowed during CAS and is there any special treatment for algo market orders placed in the auction session?

Algo orders may be permitted in CAS in accordance with the applicable Exchange risk framework and session rules. Market orders emanating from algos may also be allowed in CAS under the session-specific framework. Further, MSE has indicated that penalty shall not be levied for market orders placed during CAS emanating from algos under the applicable CAS rules, while penalty provisions applicable to the normal market session shall continue separately.

20. Can members place new orders during CAS transition, and what happens to eligible unexecuted orders carried forward from CTS?

Fresh order entry is not permitted during the transition from CTS to CAS. However, eligible unexecuted limit orders from CTS may be carried forward into CAS, subject to the revised CAS price band and session rules. Orders that do not meet CAS conditions, including ineligible order types or orders beyond the revised price band, are liable to be cancelled by the Exchange during transition.

21. If an order carried forward from CTS is modified during CAS, what are the consequences from an operational and risk perspective?

If an eligible order carried forward from CTS to CAS is modified during CAS, it becomes subject to the applicable session rules, including margin or risk checks and order-priority consequences wherever applicable. Members should therefore be aware that carried-forward status does not permanently shield an order from auction-session controls once modifications are made.

22. How should members understand order priority and the effect of changes to order attributes during CAS?

Order priority during CAS is governed by the Exchange's auction logic and the applicable treatment of carried-forward and newly entered orders. Where an order is modified during CAS, the priority consequences shall apply in accordance with the Exchange rules and system design. Members should ensure that their dealing desks and systems understand that order modification may affect execution priority even when the original order was carried from CTS.

E. Equilibrium Price Discovery and Closing Price Determination

23. How is the equilibrium price identified during CAS, and what is its role in the closing price determination process?

The equilibrium price in CAS is generally the price level at which the maximum tradable quantity is achieved under the auction mechanism, subject to the applicable order matching logic and tie-break conditions prescribed by the Exchange framework. This equilibrium price forms the basis for determining the closing price of CAS-eligible securities. In practical terms, CAS is designed so that the closing price reflects auction-based supply and demand at market close rather than only the last ordinary trade of the day.

24. How is the closing price determined for securities on which CAS is applicable, and what happens if no equilibrium price is discovered?
For securities on which CAS is applicable, the closing price shall be determined based on the equilibrium price discovered in CAS. If no equilibrium price is discovered, the reference price shall be treated as the closing price. If no equilibrium price is discovered and the security was also not traded during the day, the latest available closing price shall be considered as the close for that day, subject to the applicable framework.

25. How will the closing price be determined for securities on which CAS is not applicable, and is there any change in the closing price methodology for such securities?
For securities on which CAS is not applicable, the closing price shall continue to be determined under the existing MSE closing price mechanism applicable to such securities. The introduction of CAS for eligible securities does not by itself mean that the closing price methodology for all other securities changes automatically.

26. Is there any change in closing price determination for the Equity Derivatives Segment because of the introduction of CAS in the Equity Cash Segment?
No. Closing price determination in the Equity Derivatives Segment shall continue as per the existing mechanism specified by the Exchange. However, operational or interface changes in the derivatives segment may still be relevant in relation to price band handling, market data, and session transitions linked to the broader CAS framework.

F. Information Dissemination, Market Data, and Index-Related Treatment During CAS

27. What information will MSE disseminate during CAS for eligible securities, and why is this information important for members?
MSE may disseminate information such as the indicative equilibrium price, indicative tradable quantity, cumulative buy and sell quantities, indicative imbalance quantity, side of imbalance, and other relevant session data as per the applicable dissemination framework. This information is important because it helps members understand auction build-up, supply-demand imbalance, and the potential closing price formation during the CAS process.

28. What is meant by indicative equilibrium price, indicative tradable quantity, and imbalance-related information during CAS?
The indicative equilibrium price is the provisional auction price emerging from the current order book during the CAS process. The indicative tradable quantity represents the quantity that can potentially be matched at that indicative price. Indicative imbalance quantity generally reflects the absolute difference between cumulative buy quantity and cumulative sell quantity at the equilibrium price, considering eligible orders as defined by the framework. In addition, an indicator may be provided to show whether the imbalance is on the buy side or sell side. MSE may also disseminate a market-order-based imbalance indicator as per the applicable dissemination logic.

29. Will MSE disseminate cumulative buy quantity, cumulative sell quantity, and any indicator to identify CAS-eligible securities?
Yes, MSE may disseminate cumulative buy quantity and cumulative sell quantity during CAS as part of the auction information framework. Members should also refer to the relevant MSE security master

files, market data specifications, circulars, and technical documents for any identifier or indicator that may be provided to distinguish CAS-eligible securities from non-CAS securities.

30. How will index values be treated or disseminated when some constituents may be under CAS while others remain in normal trading conditions?
Where CAS is implemented in a phased manner and some index constituents are in CAS while others remain in CTS, MSE may disseminate both the actual index value and the indicative index close value during CAS in line with the applicable methodology. For constituents not under CAS, the prevailing logic may continue to rely on CTS prices, while for constituents under CAS the indicative equilibrium price or other applicable CAS value may be used in accordance with the Exchange's dissemination framework.

31. Will there be separate market data treatment, technical fields, or dissemination specifications for CAS?
Yes. Members should refer to MSE market data specifications, interface documents, technical advisories, and circulars issued from time to time for the treatment of CAS-related fields, session indicators, broadcasts, dissemination packets, and related technical behaviour. Members should not rely solely on general FAQ language where field-level implementation details are required.

G. Risk Management, Margin Treatment, STPC, and Post-Closing Usage

32. Are margin requirements applicable to orders placed during CAS, and how are carried-forward orders treated from a risk-management perspective?
Yes. Orders placed during CAS are subject to applicable margin requirements at the order level, except for eligible limit orders carried forward from CTS to CAS, unless such carried-forward orders are modified during CAS. This means that while certain carried-forward orders may enter the auction without fresh order-level margin checks, any subsequent modification can cause them to become subject to the applicable risk controls.

33. What happens if a carried-forward order is modified during CAS, and how does that affect margin checks or risk treatment?
If an eligible limit order carried forward from CTS to CAS is modified during CAS, it becomes subject to the applicable order-level margin checks and other session rules. Members should therefore ensure that they do not treat carried-forward orders as permanently exempt from risk validation once changes are made during the auction window.

34. Is the Self Trade Prevention Check (STPC) mechanism applicable during CAS?
Yes. The Self Trade Prevention Check mechanism, wherever applicable under the Exchange framework, shall continue to apply during CAS. Members should ensure that their strategies, risk systems, and order handling logic remain consistent with STPC requirements during the auction session.

35. Will the post-closing session use the closing price determined through CAS for eligible securities?
Yes. For CAS-eligible securities, the post-closing session shall use the closing price determined through CAS. Members should therefore ensure that systems and downstream processes that consume the official closing price are aligned to this auction-determined close for eligible securities.

H. API Changes, Interface Specifications, and Member Technology Readiness

36. Has MSE issued separate API and interface-related circulars for the introduction of CAS, and what is the significance of those circulars for members?

Yes. MSE has issued separate circulars covering API changes for introduction of CAS in the Equity Cash Segment and in the Equity Derivatives Segment. These circulars are important because members are required to align their trading applications, interface handlers, market data consumers, drop-copy systems, and related internal processes to the CAS framework and the versioned interface specifications prescribed by the Exchange.

37. Which broad interfaces or technical specification documents should members review for CAS-related changes in the Equity Cash Segment?
Members should review the MSE interface specifications and annexures applicable to the Equity Cash Segment, including Non-FIX Gateway, FIX Connect, Drop Copy-Member, and Trading Market Data documents, in the versions specified by the relevant MSE circular. These documents are critical for implementation because CAS changes may affect order handling, responses, session state logic, dissemination packets, and post-trade reporting behaviour.

38. Which broad interfaces or technical specification documents should members review for CAS-related changes in the Equity Derivatives Segment?
Members should similarly review the MSE interface specifications and annexures applicable to the Equity Derivatives Segment, including Non-FIX Gateway, FIX Connect, Drop Copy-Member, and Trading Market Data documents, in the versions specified by the relevant MSE circular. Even where CAS itself applies to the cash segment, derivatives-related interfaces may still require updates because of linked price-band, session, and dissemination changes near the close.

39. What interface versions have been specifically referred to by MSE for CAS changes in the Equity Cash Segment?
For the Equity Cash Segment, the relevant MSE API circular refers members to interface updates covering Non-FIX Gateway v25.0.0.4, FIX Connect v25.0.0.3, Drop Copy-Member v25.0.0.5, and Trading Market Data v25.0.0.3, together with the relevant annexures and associated technical documentation.

40. What interface versions have been specifically referred to by MSE for CAS changes in the Equity Derivatives Segment?
For the Equity Derivatives Segment, the relevant MSE API circular refers members to interface updates covering Non-FIX Gateway v25.0.0.5, FIX Connect v25.0.0.4, Drop Copy-Member v25.0.0.6, and Trading Market Data v25.0.0.4, together with the relevant annexures and associated technical documentation.

41. Are members required to modify or redevelop their existing applications because of the introduction of CAS, and what areas should they pay attention to?
Yes. Market participants are required to take note of the Exchange-prescribed API and interface changes and develop or modify their existing applications accordingly. Special attention should be given to session handling, order eligibility validation, order rejection and cancellation processing, carried-forward order logic, market data dissemination, drop-copy handling, and any reference-price or price-band-related processing that may be affected by CAS.

42. Where should members look for more detailed field-level, message-level, and implementation-specific guidance for CAS-related technical changes?
Members should refer to the relevant annexures, interface specification documents, market data documents, API change circulars, and any subsequent circulars or advisories issued by MSE from time to time. The FAQ is meant to provide conceptual guidance, but actual implementation must be based on the formal technical documentation and Exchange-issued specifications.

I. Operational Clarifications, Ongoing Guidance, and Member Support

43. Will MSE provide further information, clarification, SOPs, or technical guidance on CAS separately from time to time?

Yes. MSE has indicated that further information related to Closing Auction Session (CAS) may be provided through separate circulars, annexures, system documents, SOPs, FAQs, interface updates, and member advisories from time to time. Members should therefore treat the CAS framework as an evolving operational structure and keep themselves updated with the latest Exchange communication.

44. Whom should members contact if they need clarification on CAS, operational handling, or technical implementation requirements at MSE?

Members may contact the relevant MSE Customer Service or Market Operations helpdesk and should also refer to the latest MSE circulars, system documents, notices, and technical specifications issued from time to time. For operational and technical readiness, members are advised to combine Exchange circular guidance with appropriate internal testing, system validation, and implementation governance before relying on their production setup.