

Consultation Paper on Review of Certain Aspects of the Closing Auction Session, Market Timings and Settlement Methodology for Derivatives Contracts

1. Objective

- 1.1 The Closing Auction Session ("CAS") framework was introduced in the equity cash segment of the Stock Exchanges for stocks on which derivatives contracts are available ("F&O Stocks"), with effect from August 03, 2026 ([Circular](#)), with the objective of facilitating efficient and transparent price discovery of the closing price of securities. The framework was preceded by extensive stakeholder consultation and policy deliberation, including two rounds of public consultation ([December 5, 2024](#) and [August 22, 2025](#)) and discussions with Stock Exchanges, broker associations, institutional investors, market participants and other stakeholders. The inputs received were duly considered while finalizing the CAS framework.
- 1.2 Prior to introduction of CAS, the closing price of stocks was determined based on the Volume Weighted Average Price ("VWAP") of trades executed during the last 30 minutes of the Continuous Trading Session ("CTS"), whereas under CAS the closing price is determined through an equilibrium price discovery mechanism based on the aggregate of buy and sell orders in the order book during the auction.
- 1.3 Under the existing CAS framework, trading in the derivatives segment continues while the underlying securities undergo closing price determination process using CAS. This assumes particular significance on expiry days, when derivatives trading activity may be concentrated towards the close of the trading session and market participants may respond to information relating to the 'evolving prices' of the underlying securities during CAS.
- 1.4 SEBI is also undertaking other measures that contribute to broader participation in the cash market, facilitate greater availability of securities for borrowing and lending, support hedging and arbitrage activity, and contribute to more efficient price discovery and enhanced liquidity in the underlying securities. The evolution of CAS and the settlement methodology may therefore be considered as part of the broader effort to strengthen the cash market and improve the interaction between the cash and derivatives markets.
- 1.5 The initial experience with CAS and feedback received from various stakeholders and market participants have accordingly highlighted the need to review a few aspects related to CAS and settlement methodology for derivatives. In view of the same, the objective of this consultation paper is to seek comments/ views/ suggestions from the public on the following proposals:

1.5.1 The methodology for determining the settlement prices of derivatives including the relative timing and duration of CTS, CAS and derivatives trading.

1.5.2 Certain operational aspects of CAS framework and information dissemination

The consultation paper also seeks to provide greater clarity regarding the distinction between a) the Indicative Equilibrium Price ("IEP") emerging during CAS, b) the final closing price determined at the conclusion of CAS, and c) the settlement price of derivatives contracts determined in accordance with the proposed settlement methodology.

2. Initial CAS period observations

- 2.1. Since the introduction of CAS, SEBI has been reviewing its functioning and has received feedback from Stock Exchanges, Trading Members, Broker Associations, Institutional Investors, other investors, market participants among others. Media reports and discussions on social-media platforms have also highlighted, *inter alia*, concerns regarding movements in the Indicative Index Value ("IIV") of the underlying indices during CAS, the interaction between the Cash market and derivatives markets during CAS, significant movements observed in certain index option contracts nearing expiry among other issues.
- 2.2. **Trading activity during CAS:** The traded value during CAS may be lower than that observed during comparable periods of the CTS. However, such comparison needs to take into consideration the distinct nature of the two mechanisms. While the CTS facilitates continuous execution of trades, the CAS aggregates orders and executes them at a single equilibrium price. Further, the nature of trading interest may differ across the two mechanisms, including with respect to intraday and delivery-based transactions.
- 2.3. Given the relatively short period since implementation of CAS, the levels of participation and liquidity may evolve over time as the market participants gain familiarity with the auction mechanism and adapt their trading strategies and practices. Participants may also respond to differences between indicative prices in the cash and derivatives markets, which could facilitate greater alignment across the two market segments.
- 2.4. **Derivatives activity around the closing period:** The initial experience/feedback also indicates that trading activity in derivatives continues to remain significant during the period immediately preceding and around CAS, including during the Transition Period between cessation of CTS and commencement of the order-entry phase of CAS. A comparison of the amount of premium traded in expiring benchmark index options on expiry day during pre CAS period (February 2026 to July 2026 – 26 Expiries each) and post CAS period (August 3 to September 3, 2026 – 5 Expiries each) is tabulated below:

Period	Time window	Percentage of day's premium turnover		Average Premium traded per minute (₹ cr)	
		NSE	BSE	NSE	BSE
Pre-CAS	09:15 a.m. – 3:30 p.m. (6 hours and 15 minutes)	100%	100%	176.74	167.60
	2:30 p.m. – 3:00 p.m.	8.83%	10.57%	195.11	221.38
	3:00 p.m. – 3:30 p.m.	5.72%	6.75%	126.31	141.48
Post CAS	09:15 a.m. – 3:40 p.m. (6 hours and 25 minutes)	100%	100%	119.36	110.46
	2:45 p.m. – 3:15 p.m.	9.80%	9.22%	150.14	130.68
	3:15 p.m. – 3:20 p.m. (Transition)	1.72%	1.57%	158.30	133.68
	3:20 p.m. – 3:30 p.m. (CAS)	4.13%	6.79%	189.82	288.94

- 2.4.1. The above data indicates that the derivatives activity remains concentrated towards the close of the trading session. In particular, the period relevant for determining the settlement prices under CAS is much shorter than the comparable pre-CAS period, and the average traded value per minute during the 3:20 p.m. to 3:30 p.m. was higher than the corresponding average during the 3:00 p.m. to 3:30 p.m. in the pre-CAS period. On NSE, the average traded value per minute increased from ₹126.31 crore during 3:00 p.m. to 3:30 p.m. in Pre-CAS period to ₹189.82 crore during 3:20 p.m. to 3:30 p.m. during CAS period, while on BSE it increased from ₹141.48 crore to ₹288.94 crore respectively.
- 2.4.2. Activity was also observed during the five-minute Transition Period between cessation of CTS and commencement of CAS, with average premium turnover during this period representing 1.72% and 1.57% of the day's premium turnover on NSE and BSE, respectively. The average amount of premium traded on an expiry day, during the five-minute transition period was ₹791.50 crore and ₹668.38 crore on NSE and BSE, respectively.
- 2.4.3. On expiry days, the concentration of derivatives activity towards the end of the trading session assumes particular significance, as the underlying securities are either approaching or undergoing their closing price discovery process while during this period, the derivatives contracts continue to trade.
- 2.5. IEP based derivatives trading during CAS: The nature of IEP during CAS is distinct from an executed traded price during the CTS. The IEP represents the equilibrium price that may emerge from the orders available in the auction book at a given point in time and remains subject to change until completion of the auction. However, based on feedback from participants, it is understood that market participants are taking into consideration the indicative price information available during CAS, particularly during the initial few minutes of CAS, while making their trading decisions in derivatives contracts.

Accordingly, this paper examines the aforesaid issues and their implications and sets out proposals for appropriate changes in this regard.

3. Proposal - Review of settlement methodology for derivatives contracts

With the introduction of CAS, the methodology for determining the settlement price of derivatives contracts on the expiry day has also undergone a change. In this regard, market participants have highlighted that, given the unique characteristics of the Indian securities market, including significant participation by retail investors, both option buyers and option sellers may face increased uncertainty arising from CAS closing prices determining the settlement price of derivatives contracts on expiry day.

Accordingly, in view of the hyperactivity in expiring index options contracts along with IEP based derivatives trading during CAS, it is proposed to review the existing methodology for determining the settlement price of both index and stock derivatives contracts on the expiry day.

3.1. Settlement Methodology for Index Derivatives

Prior to operationalization of CAS, the final settlement price on the expiry day of Index Derivatives was based on the closing price of the underlying index, which in turn was determined from the closing prices of its constituent securities based on VWAP during the trades executed during the last 30 minutes of continuous trading, on the respective Stock Exchange.

Upon introduction of CAS, the final settlement price on the expiry day of Index Derivatives has changed and is currently based on the closing price of the underlying index, which in turn is determined from the closing prices of its constituent securities based on CAS, on the respective Stock Exchange.

3.2. Settlement Methodology for Single Stock Derivatives

In the case of Single Stock Derivatives, prior to operationalization of CAS, the Stock Exchanges used to determine the closing price of the underlying stock in the cash segment through their respective VWAP of trades executed during the last 30 minutes of continuous trading. The settlement price of the stock derivatives contract was thereafter based on the volume weighted average of such closing prices across the Stock Exchanges.

However, upon introduction of CAS, in the case of Stock Derivatives, the Stock Exchanges determine the closing price of the underlying stock in the cash segment through their respective CAS. The settlement price of the stock derivatives contract thereafter continues to be based on the volume weighted average of such closing prices across the Stock Exchanges.

3.3. Based on observation and feedback received on the initial operational period of CAS, as highlighted in Para 2 above, the settlement methodology for derivatives requires consideration. Therefore, the following two options are being proposed.

3.4. Option 1 – Blended VWAP - Incorporating CTS and CAS Transactions

3.4.1. Under this option, the settlement price on the expiry day of both Index Derivatives and Stock Derivatives would be based on the trades executed during the last 30 minutes of CTS and 10 minutes of CAS (referred as “Blended VWAP”).

3.4.2. In case of Index derivatives, the relative contribution of transactions executed during CTS and CAS would be determined based on the actual traded value during the respective periods. No separate or predetermined weight would be assigned to CTS or CAS to determine the settlement price of derivatives contracts.

3.4.3. An illustration is provided below to demonstrate how transactions executed during the last 30 minutes of CTS and CAS will contribute to the determination of the settlement price based on their actual traded value. For this purpose, assume the following for an Index consisting of three constituent securities:

Constituent	Index Weight	CTS VWAP Price (₹)	CTS Traded Value – Last 30 Minutes in ₹ Crores	CAS Traded Value in Crores	CAS Trade Price (₹)	Blended Price - Determined based on CTS and CAS weights (₹)
A	50%	100.00	4,500	₹500	103.00	100.30
B	30%	200.00	2,700	₹300	204.00	200.40
C	20%	300.00	1,800	₹200	297.00	299.70
Total/ Settlement Price	100%	170.00*	₹9,000	₹1,000	170.90#	170.21^

* Settlement Price if only last 30 minutes of CTS is considered - ₹170.00 = (50% × ₹100.00) + (30% × ₹200.00) + (20% × ₹300.00)

Settlement Price if only CAS is considered - ₹170.90 = (50% × ₹103.00) + (30% × ₹204.00) + (20% × ₹297.00)

^ Settlement Price if both, i.e. the last 30 minutes of CTS and CAS, are considered - ₹170.21 = (50% × ₹100.30) + (30% × ₹200.40) + (20% × ₹299.70)

In the above illustration, the total traded value during the relevant period is ₹10,000 crore, of which (i) transactions during the last 30 minutes of CTS account for ₹9,000 crore, or 90%; and (ii) transactions during CAS account for ₹1,000 crore, or 10%.

Accordingly, in the example above, CAS transactions account for 10% of the total traded value and therefore have a corresponding effect on the blended VWAP calculation. No separate or predetermined 10% weight is assigned to CAS.

- 3.4.4. In the case of Stock Derivatives, the blended price would be determined on the basis of VWAP, across exchanges, considering the actual traded value during the last 30 minutes of CTS and 10 minutes during CAS, to determine the settlement price.
- 3.4.5. The proposed framework would result in the following:
- a) Incorporate actual transactions executed during both the last 30 minutes of CTS and 10 minutes of CAS for determination of the settlement price of the derivatives contracts on the expiry day, thereby reflecting a broader period of actual market transactions.
 - b) Allow the relative contributions of CTS and CAS to emerge from actual market activity, and not assign any predetermined weight to CTS or CAS in determination of the settlement prices for the derivatives contracts on the expiry day.

3.5. Option 2 – CTS VWAP

- 3.5.1. Under this option, the settlement price on expiry day for both Index Derivatives and Single Stock Derivatives would comprise of only the trades executed during the last 30 minutes of CTS (referred as “CTS VWAP”) i.e., the settlement methodology applicable prior to implementation of CAS.
- 3.5.2. Accordingly, transactions executed in the CAS would not form part of the settlement calculation on the expiry day of the derivatives contracts. Following a sufficient period of experience with CAS, the settlement price for derivatives contracts on expiry day may be transitioned to include actual transactions executed during both the last 30 minutes of CTS; and 10 minutes of CAS, as contemplated under Option 1 above.
- 3.5.3. In order to provide sufficient stability and certainty to the market participants, such transition may be considered only after a period of not less than one year from the commencement of the revised settlement methodology for derivatives contracts on the expiry day. This will also provide sufficient time for adaptation, deepening of liquidity and participation in the CAS, which can thereafter be assessed. It is clarified that any such transition would not be automatic upon completion of one year, and would be considered having regard to the experience and evidence available at that stage. In particular, transition would be considered after:

- a) CAS being operational for a sufficiently long period of at least one year.
- b) Sufficient liquidity and participation having developed in CAS.
- c) Market participants having gained familiarity with the auction mechanism.
- d) The functioning of CAS and its price-discovery characteristics across different market conditions having been assessed.

3.5.4. The CTS VWAP methodology for determination of the settlement price for derivatives contracts on expiry day during an interim period would result in the following:

- a) Provide continuity with the familiar settlement methodology for derivatives contracts on expiry day, and provide a stable and orderly transition to CAS
- b) Allow liquidity and participation in CAS to develop.
- c) Provide market participants with sufficient time to gain familiarity with the CAS mechanism.

3.5.5. The proposed approach recognizes that the CTS-based methodology does not constitute the intended long-term framework and the basis for settlement price for derivatives contracts on expiry day would ultimately be transitioned to the blended methodology contemplated under Para 3.4 above.

3.6. Comparative analysis of the two options:

Under both approaches, the intended long-term framework would incorporate actual transactions executed during both the last 30 minutes of CTS and 10 minutes of CAS for determining settlement price. . The approaches differ only with respect to whether such blended methodology is introduced immediately or following an interim period during which the existing CTS-based methodology continues. The settlement methodology prior and post implementation of CAS and proposed methodologies are tabulated below:

Particulars	Prior to Aug 03, 2026	W.e.f Aug 03, 2026	Option 1 – Blended VWAP	Option 2 – CTS-VWAP
Relevant period for determining settlement price	Last 30 minutes of CTS	10 minutes of CAS	Last 30 minutes of CTS and 10 minutes of CAS	Last 30 minutes of CTS only
Transactions considered	CTS only	CAS only	CTS and CAS	CTS only
CAS contribution	NA	100%	Based on the proportion of actual traded value during CAS and CTS;	No contribution from CAS transactions during the interim period

Particulars	Prior to Aug 03, 2026	W.e.f Aug 03, 2026	Option 1 – Blended VWAP	Option 2 – CTS-VWAP
Treatment of IEP	NA	Not considered for settlement price	IEP is not treated as a transaction and is not relevant for settlement calculation.	
Nature of methodology	NA	NA	Proposed eventual settlement methodology	Interim methodology, providing continuity with the pre-CAS framework
Long-term Transition	NA	NA	No further changes envisaged	Transition to the Blended VWAP after at least one year.

Proposal 1: Whether Option 1 (Blended VWAP – Para 3.4) is the preferred methodology for determining the settlement price of both index and stock derivatives contracts on the expiry day?

Proposal 2: Whether Option 2 (CTS VWAP – Para 3.5) is the preferred methodology for determining the settlement price of both index and stock derivatives contracts on the expiry day, before ultimately transitioning to Option 1 in the long term?

4. Closing Price, Indicative Equilibrium Price and Indicative Index Value

4.1. Difference between an executed price and an indicative price

- 4.1.1. An important aspect of understanding CAS is the distinction between the price observed during CTS and the IEP disseminated for a security during CAS. During CTS, buy and sell orders are continuously matched. When compatible orders are matched, a transaction is executed and a trade is reported at the corresponding price. Thus, if a security is traded at ₹100 during CTS, ₹100 represents a price at which an actual transaction has taken place.
- 4.1.2. The nature of the IEP during CAS is different. During CAS, buy and sell orders are accumulated in the auction book and, based on the orders received up to a particular point in time, the Exchange calculates the price at which the maximum possible quantity could currently be executed in accordance with the auction

methodology. As further orders are entered, or existing orders are modified or cancelled, the IEP may change. The IEP is therefore indicative and evolving during CAS and does not denote a price at which transactions have taken place. The final CAS price is the price at which transactions are executed pursuant to the auction.

- 4.1.3. For example, an IEP of ₹100 displayed shortly after commencement of CAS means that, based on the orders available at that point in time, ₹100 is the price at which the maximum possible quantity could currently be executed under the auction methodology. As additional buy or sell orders are received, or existing orders are modified or cancelled, the IEP may change.
- 4.1.4. Accordingly, a movement in the IEP from ₹100 to ₹103 should not, by itself, be construed as an actual movement in the traded price of the security. It merely reflects the ongoing price discovery process and indicates the price at which the transaction could execute as at a given point if the auction was to end at such point in time.

4.2. Indicative Index Value (IIV) for an index

- 4.2.1. The distinction is even more important in the case of an index. The index itself is not subject to an auction. Its indicative value during CAS is derived from the continuously evolving IEPs of its constituent securities, as explained above. The final value of the index is established only after the auction concludes and the final prices of the relevant constituent securities have been determined.
- 4.2.2. Therefore, movement in the IEP-derived IIV during CAS should not be interpreted as the index having actually reached the corresponding level, since no actual transactions have taken place at that index value.
- 4.2.3. For example, if the pre-CAS Index Value is 50,000 and during CAS the IIV of the index is displayed at 48,500 points, while one may perceive it as a movement of 1,500 points, it does not mean that the index has actually traded or reached 48,500 points. The displayed IIV is an evolving indication derived from the IEPs of its constituent securities. Such values may be misconstrued by market participants as actual levels reached by the index.
- 4.2.4. This raises the question whether a live IEP-derived IIV is required to be disseminated during CAS in its present form, particularly when such value may be used by participants in making trading decisions while the underlying price discovery process is still evolving.

4.3. International Practices

- 4.3.1. International closing auction mechanisms generally distinguish between indicative price information relating to securities participating in the auction and the calculation and dissemination of index values. While several international markets disseminate indicative or equilibrium prices for individual securities during their closing auctions, the review undertaken does not indicate a general practice of using such unexecuted indicative prices of constituent securities for continuously recalculating the corresponding index during the closing auction. Hong Kong Exchanges and Clearing Limited (HKEX) provides a relevant example, where IEP information is disseminated for securities participating in the Closing Auction Session, while a corresponding IEP message is not provided through its index data feed.¹
- 4.3.2. In summary, the relevant international practice observed is that unexecuted indicative auction prices of constituent securities are generally not reflected in the disseminated index value until such prices result in actual transactions.

4.4. Indicative Close for Index Derivatives settlement

- 4.4.1. Prior to the introduction of CAS, between 3:00 and 3:30 PM, Exchanges broadcasted: a) the Index Values (based on Last Traded Price of the constituents) and b) the Indicative Close (i.e., based on VWAP of constituents depending on the trading activity until the point of dissemination). At the end of CTS, since the VWAP based price were considered as close price, the Index Value and the Indicative Close were exactly the same.

In line with the extant practice, exchanges would continue to disseminate the Actual Index Values (LTP based) and expected settlement price (instead of Indicative Close) during the trading window relevant for determination of settlement price.

- 4.4.2. It may be noted that the expected settlement price may change based on trades in the CTS. Further, under the proposed blended VWAP methodology, wherein CAS transactions are also relevant, the expected settlement price may change as the auction evolves and the IEP of the underlying securities change, until the final closing prices are determined through CAS.

¹ The closing auction mechanisms and market-data practices of NYSE, Nasdaq, Euronext, Deutsche Börse/Xetra, SGX, HKEX, Japan Exchange Group (JPX) and Korea Exchange (KRX) were reviewed for this purpose.

However, it may be relevant to note that, at the end of the trading session, the final settlement price and the Index Values may vary. In addition, for F&O Stocks, since the close price will be determined by CAS and the settlement price will be based on CTS VWAP and CAS (where applicable) across exchanges, the close price and the settlement price of individual stocks may vary.

4.5. Issue for consideration

In view of the above, it is proposed that while security-level IEP continues to be provided, IEP-derived Indicative Index Value is not disseminated during CAS, as the same is being misinterpreted and/or positions are being taken by the stakeholders.

Proposal 3: Do you agree with the proposal that IEP-derived Indicative Index Value during CAS should not be disseminated, while continuing to disseminate individual security-level IEPs?

5. Consequential Change – Change in Market Timings and Reduction of Transition Period

Prior to CAS implementation viz. before August 3, 2026, trading in all stocks continued until 03:30 pm. Following its implementation from August 3, 2026, continuous trading in F&O stocks covered under CAS trading ends at 03:15 pm, while non-CAS stocks continue to trade until 03:30 pm. In light of the proposed changes to the settlement methodology for derivatives, feedback from market participants on trading timings, and the experience gained by exchanges in transitioning from CTS to CAS, it is proposed to review the market timings for CTS, CAS and derivatives. The proposed changes are aimed at better alignment of trade timings..

In the existing framework, the current 20-minute CAS window also includes a 5-minute transition period and 5 minutes for CAS trade matching. Therefore, the actual CAS window is essentially of 10 minutes. Based on possible optimization of transition period and order matching period to one minute each in the proposed framework, the CAS window would essentially continue to be for a 10-minute period, including a one minute transition period.

5.1. Proposed Option A - CAS post 3:30 PM

Under this alternative, in line with the market practice prior to introduction of CAS, the CTS for all stocks would continue until 3:30 PM. Thereafter, post a transition period of about a minute, the CAS would be conducted from 3:31 PM to 3:40 PM for CAS stocks and the derivatives trading would be permitted until 3:45 PM, i.e. for 5 minutes after conclusion of CAS.

5.2. **Proposed Option B - CAS post 3:15 PM**

Under this alternative, in line with the current practice, CTS for CAS stocks would continue until 3:15 PM and non-CAS stocks upto 3:30 PM. Thereafter, the CAS would be conducted from 3:15 PM to 3:25 PM (which includes a transition period of about a minute) and the derivatives trading would be permitted until 3:30 PM, i.e. for 5 minutes after conclusion of CAS.

5.3. **Reference Price Window:** Under both options viz. Para 5.1 or 5.2 above, the Reference Price for determining the price band for CAS would continue to be determined in accordance with the existing methodology, based on the VWAP of trades executed during the last 15 minutes of CTS.

5.4. **Reduction of Transition Period:** Under the present CAS framework, exchanges were provided a five-minute transition period for calculation of the reference price and commencement of the CAS window. Based on the experience gained over the last month and feedback received from exchanges, it is proposed to reduce this transition period from the existing five minutes to up to one minute. This reduces the substantive transition period between CTS and CAS while retaining sufficient time for the Exchanges to complete the operational processes necessary for commencement of CAS. It also provides improved continuity between continuous trading and auction-based price discovery in the underlying securities leading to an increase in CTS period by about four minutes.

5.5. **Reduction in Post CAS window for F&O Segment from 10 Minutes to 5 Minutes:**

5.5.1. Under the existing CAS mechanism, the derivatives segment is extended beyond the CAS, *inter alia*, to enable funds to achieve their intended end-of-day exposures and allow arbitrageurs to square off unmatched positions. In the case of single-stock derivatives, this additional window also enables participants to take offsetting positions in the derivatives segment, thereby facilitating the management of physical delivery obligations.

5.5.2. Based on feedback received from market participants, it is understood that for expiring derivatives contracts, once price discovery in the underlying security or index is complete, there may be limited rationale for continued trading in the expiring contract on the expiry day. However, in the case of single stock derivatives, participants may require an opportunity to manage or reverse their positions following determination of the relevant closing and settlement price.

5.5.3. Further, participants may not be able to complete all desired transactions during the CAS. It may therefore be appropriate to provide a window for trading in the derivatives segment after the conclusion of CAS providing participants an opportunity to manage their positions.

5.5.4. Based on feedback gathered from the market participants, it is noted that a shorter time window for trading in the derivatives segment after the conclusion of CAS shall suffice. Accordingly, under both alternatives, a reduced five-minute trading period for the derivatives segment following the conclusion of CAS is proposed.

5.6. Comparison of relevant market timings:

The relative market timings prior and post implementation of CAS vis-à-vis timings under the aforesaid options are tabulated below for a holistic comparison:

Particulars	Prior to August 03, 2026	Present - w.e.f August 03, 2026	Option A – CTS till 3:30 and F&O till 3:45	Option B – CTS till 3:15 and F&O till 3:30
End of CTS for CAS Stocks	3:30 p.m	3:15 p.m	3:30 p.m.	Up to 3:15 p.m.
End of CTS for non-CAS Stocks	3:30 p.m	3:30 p.m	3:30 p.m.	3:30 p.m.
Period for CAS Reference Price calculation	NA	3:00 p.m. to 3:15 p.m.	3:15 p.m. – 3:30 p.m.	3:00 p.m. – 3:15 p.m.
Transition Period from CTS to CAS	NA	3:15 p.m to 3:20 p.m	3:30 p.m. to 3:31 p.m. (Reduced to 1 Minute)	3:15 p.m. to 3:16 p.m. (Reduced to 1 Minute)
CAS Window (including Transition period)	NA	3:15 p.m to 3:30 p.m*	3:30 p.m. – 3:40 p.m.	3:15 p.m. – 3:25 p.m.
Derivatives trading window Post CAS	NA	10 minutes	5 minutes	5 minutes
End of trading in F&O Segment	3:30 p.m	3:40 p.m	3:45 p.m.	3:30 p.m.
Post session Close	3:40 p.m to 4:00 p.m	3:50 p.m to 4:00 p.m	3:50 p.m to 4:00 p.m	3:50 p.m to 4:00 p.m
Principal objective	NA	NA	Greater continuity between CTS and CAS, with longer CTS	Retain existing CTS duration and aligning close of derivatives markets by 3:30 PM
Implications based on varying views from market participants w.r.t alignment of timings for CAS and non-CAS stocks.	NA	NA	CTS for CAS stocks ends at 03:30 p.m., followed by CAS based price discovery and close price will be available by 03:40 p.m.	CTS for CAS stocks ends at 03:15 p.m., followed by CAS based price discovery and close price will be available by 03:25 p.m.

Particulars	Prior to August 03, 2026	Present - w.e.f August 03, 2026	Option A – CTS till 3:30 and F&O till 3:45	Option B – CTS till 3:15 and F&O till 3:30
			CTS for Non-CAS stocks ends at 03:30 p.m. and the close price will be available by 03:30 p.m.	CTS for Non-CAS stocks ends at 03:30 p.m. and the close price will be available by 03:30 p.m.
* While time allowed for orders matching is 5 minutes post 3:30 p.m, the CAS window excluding the transition period, is essentially a 10 minutes window.				

Proposal 4: Whether Option A - CTS for CAS Stocks till 3:30 and F&O till 3:45 is the preferred market timing?

Proposal 5: Whether Option B - CTS for CAS Stocks till 3:15 and F&O till 3:30 is the preferred market timing?

6. Additional modifications for CAS

6.1. Certain restrictions on Limit Orders Beyond $\pm 1\%$ of the Reference Price during CAS

- 6.1.1. The existing $\pm 3\%$ price band in CAS provides market participants with sufficient flexibility to express their views regarding the appropriate closing price. The existing band may also be considered relatively narrow when compared with the price bands applicable to closing auction mechanisms in several major international markets.
- 6.1.2. Accordingly, further narrowing of the overall price band may constrain the ability of market participants to respond to genuine changes in demand and supply, including information or events emerging closer to the market close, and may adversely affect participation in CAS. Therefore, rather than narrowing the overall price band, a more targeted safeguard may be adopted by restricting cancellation of any orders placed beyond $\pm 1\%$ of the Reference Price.
- 6.1.3. The proposed framework seeks to distinguish between (a) the orders placed relatively close to the Reference Price (i.e., $\pm 1\%$ around the Reference Price), where market participants may reasonably require flexibility to revise or withdraw their trading interest; and (b) the orders placed materially away from the Reference Price (i.e., between $\pm 1\%$ to $\pm 3\%$ away from the Reference Price), where continued cancellation flexibility may provide greater scope for transient or non-committal trading interest to influence the auction book.

6.1.4. While orders placed beyond $\pm 1\%$ of the reference price would become non-cancellable, market participants would continue to have the ability to express a wider range of views up to $\pm 3\%$ of the reference price, while creating an incentive to place orders within the $\pm 1\%$ range where they require flexibility to cancel their orders subsequently. At the same time, price-improving modifications would be permitted for orders placed beyond the $\pm 1\%$ range. This would ensure that participants are not unduly constrained from increasing the likelihood of execution where their trading intention becomes stronger. For example, a buy order may be modified to a higher price and a sell order may be modified to a lower price, subject to the applicable overall price band.

6.1.5. Proposal:

The framework for cancellation and modification of limit orders during CAS may be reviewed as follows:

- a) An order placed at a price within $\pm 1\%$ of the Reference Price may be cancelled during CAS in accordance with the existing framework.
- b) Where an order is placed at, or modified to, a price beyond $\pm 1\%$ and up to $\pm 3\%$ of the Reference Price, the order shall not be permitted to be cancelled during CAS. However, such orders may be modified to improve the price specified in the order, subject to the applicable $\pm 3\%$ price band. For a buy order, a price improvement would mean an increase in the bid price while for a sell order, a price improvement would mean a decrease in the offer price.
- c) The current price band applicable in CAS i.e., $\pm 3\%$ may remain unchanged.

6.1.6. The proposed framework may consequently result in the following:

- a) Preserve the flexibility of the existing $\pm 3\%$ price band and avoid constraining price discovery during CAS.
- b) Reduce the scope for significant withdrawal of trading interest at prices materially away from the Reference Price (i.e., between $\pm 1\%$ and $\pm 3\%$ from the Reference Price).
- c) Improve the stability and credibility of the auction order book.
- d) Retain flexibility for market participants to improve their orders in response to evolving demand and supply conditions.

6.1.7. The proposed approach therefore seeks to achieve a balance between price discovery, flexibility of participation and the need for greater commitment in orders placed materially away from the Reference Price, without altering the existing overall $\pm 3\%$ price band during CAS.

Proposal 6: Do you agree with the proposal to prohibit cancellation of limit orders placed beyond $\pm 1\%$ of the Reference Price during CAS, while permitting only price-improving modifications to such orders?

6.2. Transition of Unexecuted Iceberg Orders from CTS to CAS

- 6.2.1. Under the existing framework, Iceberg orders placed during CTS comprise a total order quantity that is divided into smaller disclosed quantities, with only the applicable disclosed portion being visible in the order book at any point in time. CAS, being a disclosure based framework, unexecuted Iceberg orders are presently not transitioned into the same.
- 6.2.2. With a view to improve liquidity in CAS, it is proposed that unexecuted Iceberg orders outstanding at the commencement of CAS may be transitioned to CAS.
- 6.2.3. For this purpose, the unexecuted pending quantity of an Iceberg order at the commencement of CAS may be converted into a normal limit order in the CAS order book, and the entire unexecuted quantity shall be disclosed in the CAS order book and shall be available for execution in accordance with the applicable CAS matching mechanism.
- 6.2.4. For instance, assuming an iceberg order of total quantity of 10,000 shares with a visible quantity of 1,000 shares at any given point in time, where an iceberg order for 6,000 shares has been partially executed during the CTS and 4,000 shares remain unexecuted at the commencement of CAS. In such a case, the remaining 4,000 shares shall be transitioned to CAS as a normal limit order, with the entire quantity of 4,000 shares disclosed in the CAS order book.
- 6.2.5. The proposed framework seeks to ensure that trading interest that continues to remain available for execution at the commencement of CAS is not excluded from the closing price discovery process merely on account of the manner in which the order was originally placed during CTS. Transitioning the unexecuted quantity to CAS would enable such outstanding trading interest to participate in the closing auction along with other eligible orders.
- 6.2.6. Further, converting the pending quantity into a normal limit order and disclosing the entire unexecuted quantity in the CAS order book would ensure that the quantity actually available for execution is fully reflected in the auction order book. This would enhance transparency of the trading interest participating in CAS and enable such interest to contribute to the price discovery process.
- 6.2.7. The proposal is therefore intended to ensure continuity of eligible trading interest from CTS to CAS, greater transparency of the auction order book and a more comprehensive closing price discovery process, while preserving the distinct characteristics of Iceberg orders during the continuous trading phase.

Proposal 7: Do you agree with the proposal that the pending quantity of an unexecuted Iceberg order at the end of CTS, should be converted into a normal limit order for participation in CAS, with the entire pending quantity disclosed in CAS order book?

7. Public Comments:

7.1. Considering the implication of the aforesaid proposals on the market participants, public comments are invited on the Proposals 1 to 7. The comments/ suggestions should be submitted latest by October 3, 2026 through the following link.

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

7.2. In case of any technical issue in submitting your comment through web based public comments form, you may e-mail your comments to mrdcas@sebi.gov.in. While sending the e-mail kindly mention the subject as: Comments with respect to “Review of Certain Aspects of the Closing Auction Session, Market Timings and Settlement Methodology for Derivatives Contracts”

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