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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED****Frequently Asked Questions – Risk Reduction Mode (RRM)**

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**1. What is Risk Reduction Mode (RRM)?**

When 90% of member's effective deposit is utilized towards margins, the trading terminal of member is placed in Risk Reduction Mode wherein all new orders are checked for sufficiency of margins.

**2. Will all outstanding orders get cancelled when member enter RRM?**

Yes. All unexecuted orders shall be cancelled once trading member himself or his clearing member breaches 90% collateral utilization level.

**3. Can member place new orders while in RRM?**

Yes. The member can place new orders in RRM which may result in increase in position however, all new orders shall be checked for sufficiency of margins and orders that do not satisfy sufficiency of margins will be rejected.

**4. Which order type is allowed during RRM?**

Only orders with Immediate or Cancel (IOC) attribute shall be permitted in this mode and all other order type shall be rejected.

**5. When is the member moved back to normal mode?**

The member will be able to trade in normal mode as and when the margin utilization goes below 85%.

**6. How will be member notified about RRM?**

Member will get message on its Trading terminal when member enters RRM and comes out of RRM.

**7. What will be the member status if member exceeds 100% of its margin limit?**

If the member exceeds 100% of its margin limit, its trading terminal will be placed in square off mode. In square off mode, position reducing and margin reducing orders will only be accepted. Fresh orders which increases position or margin will be rejected

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**8. Which order type are allowed in square off mode?**

If trading terminals of members are placed in square off mode for any of the following reason then only orders with Immediate or Cancel (IOC) attribute shall be permitted.

- a) Violation of Member margin requirements
- b) Violation of Member level Open Interest limits at Contract level
- c) Violation of Member level Open Interest limits at Commodity level
- d) Funds (Pay-in) shortage / Others such as base capital shortage etc

**9. Is spread order and stop loss order allowed in RRM / square off mode?**

No. Spread orders and stop loss orders are not allowed in RRM and square off mode.

**10. Is RRM applicable at User/Dealer level?**

No. RRM is applicable only at member level

**11. What are the system messages when orders are rejected while trading terminal is in RRM / square off mode?**

- a) When a fresh order placed which is other than IOC attribute, the message shall be displayed in TWS as “Order not allowed”
- b) When member is in RRM and fresh order execution will lead to increase in margin beyond 100% of limit, the message shall be displayed in TWS as “Invalid data in order entry”
- c) When member is in Square off mode and fresh order is not position reducing and margin reducing, the message shall be displayed in TWS as “Invalid data in order entry”