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Vtrender's CAS Framework — The 3:15 Information Boundary, 0DTE Settlement Risk & the Bigger Design Question

From the Desk of Vtrender Technologies Private Limited

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The central question

Our conversation today kept returning to one simple desk question: at 3:15 PM, which price do you believe? Not which price is 'correct' in a regulatory sense, but which reference you can actually trade, hedge and manage risk against when the familiar market cross-checks and the new closing auction are not saying exactly the same thing.

The useful way to look at CAS, in our view, is not as a verdict of good or bad. It is to ask what changed in the information available to a derivatives trader, why that change matters most on 0DTE expiry, and whether closing-price discovery and derivatives settlement are really the same market-design problem.

1. CAS is a price-discovery mechanism, not a directional signal

A sharp CAS print is not, by itself, bullish, bearish or evidence of manipulation. An auction can legitimately clear away from the last continuously traded price when the buy and sell interest entering that auction is imbalanced. The better question is whether the auction is deep enough, transparent enough and increasingly well understood by participants.

2. 3:15 PM is now an information boundary

For a derivatives desk, 3:15 PM is no longer just another timestamp near the close. Continuous cash-market price discovery for CAS stocks hands over to an auction process while futures and options continue to trade. That creates a short window in which the market still has tradeable derivatives prices, but the cash-market closing reference is still being discovered.

That distinction is small in clock time and large in risk terms. It is the reason CAS matters much more to an expiry trader than to someone who simply wants an end-of-day mark.

3. The derivatives ecosystem is much larger than the auction setting the close

One scale comparison helps explain why the first few expiry sessions attracted so much attention. These are not like-for-like risk measures; they are desk-level size markers showing the very different pools of activity involved.

	Approx. daily size	Why it matters
Options premium turnover (NSE)	~₹65,000–70,000 Cr	Scale of real premium changing hands in the derivatives ecosystem
CAS auction turnover (NSE)	~₹1,000–1,300 Cr	Concentrated auction pool contributing to the official close
Cash market turnover (NSE+BSE)	~₹1,00,000 Cr	Scale reference for the full day's cash-market activity

The point is not that a ₹70,000 Cr options book literally settles against a ₹1,200 Cr auction — that would overstate the comparison. The point is that a relatively concentrated closing-price process can become load-bearing for a much larger derivatives ecosystem. On expiry, even a modest dislocation in that closing reference can have an outsized P&L consequence because time value is almost gone.

4. Which price do you believe?

Before CAS, a desk could triangulate the close using several familiar references. Three of them — cash, futures and synthetic futures — are linked strongly enough to act as price cross-checks. Options IV and gamma/positioning then tell us how the market is pricing the remaining risk.

Reference	What the desk reads from it
Cash / spot	Last continuously traded level and the baseline cash reference
Futures	Basis and the market's continuously traded forward reference
Synthetic futures	Put-call parity cross-check derived from options
ATM premium & IV	How much near-term uncertainty the options market is still pricing
Gamma / options positioning	Where hedging sensitivity can amplify or dampen moves

CAS adds another reference: an auction-based closing price that can temporarily diverge from the continuously traded ones. That makes 'which price do you believe?' a literal operating question. The final auction print may not be the price the derivatives market was leaning toward a few minutes earlier — yet it is the reference that matters for settlement.

5. The option can carry a settlement-uncertainty premium

One of the more interesting changes is what happens to ODTE premium into the close. Theta has not stopped working. Time is still disappearing. But while time-to-expiry is collapsing, uncertainty around the eventual settlement level can remain alive until the auction clears.

Operationally, we think of that as a 'settlement-uncertainty premium' — not a new Greek or a formal pricing term, simply a useful way to describe why option premium or IV may stay firmer than a trader expects very late in the session. Time can fall toward zero while settlement uncertainty has not yet fallen to zero.

6. Expiry is where the distinction becomes material

On a normal trading day, a CAS move changes the official closing mark. On a weekly expiry, the same move can directly change which options finish in or out of the money and therefore the realised P&L of a book that has almost no time left to recover. That is why the same auction mechanism can feel routine to a cash investor and highly consequential to a ODTE trader.

The practical response is not to guess the auction. It is to recognise that the risk regime has changed after 3:15 and to watch the indicative auction information alongside futures basis, synthetic futures, the ATM straddle and IV.

7. Is this a CAS problem, or an expiry-settlement problem?

"I'm not arguing against CAS. I'm asking whether closing-price discovery and derivatives settlement necessarily have to be the same problem."

CAS may prove to be a perfectly sensible way to improve closing-price discovery in the cash market. The separate question is whether a very large weekly derivatives expiry should automatically inherit the same auction-discovered print as its settlement reference. Those are related issues, but they do not have to be treated as one verdict on whether CAS 'works'.

8. What would tell us CAS is maturing?

The first few sessions are too small a sample for a final verdict. The cleaner approach is to define what improvement would look like and then observe it across several expiries.

- The gap between the last continuous cash price, indicative CAS index and final close becomes smaller and less erratic.
- Auction participation and depth increase, so a larger pool of orders contributes to the closing price.
- Futures and synthetic futures begin to anticipate the auction outcome more efficiently as participants adapt.
- Late-session ATM straddle premium and IV normalise as settlement uncertainty becomes easier to price.

A measured conclusion

Our present view is deliberately two-sided: CAS can improve closing-price discovery in the cash market and still introduce a new layer of settlement risk for expiring derivatives. Both can be true at the same time.

For now, the honest desk answer to the question we opened with is that there is not yet one price to believe at 3:15 PM. There are several useful references, and the job of the trader is to understand what each one is telling him before the auction decides the one that finally matters for settlement.

Figures are desk-level approximations retained from the original Vtrender note for framing: NSE options premium ADT (~₹64,500 Cr, April 2026), NSE CAS turnover (~₹1,000–1,300 Cr) and broad cash-market turnover used as a scale reference. They are not presented as like-for-like exposure measures.
