Stop - loss Faq's

1) **Why to create Stop loss Order & keep a good practice of following this with all clients, what are the advantages?**

   Ans:- Stop loss orders will **Prevent Significant Losses** to positions of a client. It is also useful when client is **holding multiple positions** & you need not monitor all clients' positions.

   You can overcome an eventuality of **stock price getting further dipping** OR if there is a **sudden fall/sudden uptrend** in scrip price. Thus, it helps limiting your client's losses.

   Stop loss is your **defence mechanism**

   Always Insist with client for placing a stop Loss Order

2) **What is a Stop Loss Order?**

   Ans:- If client has already created an open position, either buy/sell, then a stop loss order is a Opposite leg order, placed at a "trigger price" along with Limit rate OR Market Rate.

   For example, if you have bought a stock at Rs. 10, you can place a stop loss order with your broker to sell it, if it reaches Rs. 8/-, then your trigger price is Rs 8/-, Selling price is Rs 7/- or market rate.

3) **What is a trigger Price in stop Loss Order?**

   Ans:- Trigger Price is the price at which a stop loss order is triggered. i.e. Pending stop loss order gets activated & is automatically becomes active order in Exchange Order book with Limit Price OR Market price.

4) What is Stop Loss Limit Order?

Ans :- <u>Stop Loss Limit Order</u> means, after a trigger price is hit, customer wants to sell at limit price.

E.G. Customer has Purchased 100 Reliance at 1000/- , but want to sell Reliance if it breaks below 980/-, then how a Stop loss Limit order will be entered in system

Set Trigger Price = 980/-, then sell at limit price of 977/-

That means – once stock reaches trigger price of 980, stock qty will get sold upto Rs 977/-

5) What is Stop Loss Market Order?

Ans :- <u>Stop Loss Market Order</u> means, after a trigger price is hit, customer wants to sell/buy at Market Price

E.G. Customer has Purchased 100 Reliance at 1000/- , but want to sell Reliance if it breaks below 980/-, then how a Stop loss Market order will be entered in system.

Set Trigger Price = 980/-, then sell at **limit price of 0/--('0' means market rate)….**this will ensure that stock is immediately sold, if stock is traded at 980/-, it will be sold at Market rate.

6) For which all segments stop loss orders can be entered?

Ans:-Stop Loss Buy Order can be placed, If client has short sold in cash segment / client has sold futures / client has sold Options

Stop Loss Sell Order can be placed, if client has purchased in cash segment / client has purchased futures / client has purchased Options

7) What happens to stop loss Order, if it is NOT triggered?

Ans:- The order will remain pending till End of day and it will get cancelled after closing Hours

8) Should a dealer remove stop Loss Order, if client has already squared off his positions in profit or nil profit or at Marginal loss?

Ans:- If clients position is squared off & if stop loss order is still pending in order book, then dealer should remove the stop loss order.

If it is NOT removed, order may get triggered & client new open positions can get created.

9) **Can a stop loss be placed only for open positions?**

   Ans:- No, Stop loss can be placed for open position as well as for taking fresh position

10) **How to place SL orders to enter new positions:**

   Ans:- If a client wants to buy a position in case the market price rises or sell if price falls. Assuming Nifty 5700 puts is trading at Rs 25. You want to buy this option only when it goes to 26, how do you do this? Because if you put an order to buy at 26 it will get executed at the market price which is lower than 26. In such a scenario you can use SL orders to enter a fresh position. So what you could do is to put a buying SL/SL-M with a trigger price of 26. What happens now is that only when the put option goes above 26, will your trade get executed. This feature can be used by people who like to take trades only when a particular stock/contract moves in your direction.

11) **What is the validity of a Stop loss order?**

   Ans:- A stop loss order is valid till 3:30 pm just like normal orders. Post 3:30Pm all pending stop loss orders will get cancelled.

12) **Can a stop loss order remain in pending/open after hitting the trigger price?**

   Ans:- Yes there are chances that the Stop Loss Limit order might remain pending after hitting the trigger price. This can happen only when trigger price is hit, and there is a sharp fall & stock price has gone below Stop loss limit price.