

**General Manager
Derivatives and New Products Department**

SEBI/DNPD/Cir- 39/2008
August 8, 2008

**To
The Managing Director / Executive Director
of Derivative Segment of NSE & BSE
and their Clearing House / Corporation.**

Dear Sir,

Sub: Extending calendar spread treatment till expiry of the near month contract

This is in continuation of SEBI Circular No. IES/DC/CIR-4/99 dated July 28, 1999, Circular No. IES/DC/CIR-5/00 dated December 11, 2000 and Circular No. SMDRP/DC/CIR-10/01 dated November 2, 2001 regarding risk containment measures for Exchange traded equity derivatives, including calendar spread positions.

In terms of the aforesaid circulars, a calendar spread is treated as a naked position in the far month contract three trading days prior to the expiry of the near month contract. The removal of calendar spread treatment three trading days prior to the expiry of the near month contract leads to a sudden increase in margins without any corresponding increase in the risk of the spread position.

It has, therefore, been decided that henceforth a calendar spread position on Exchange traded equity derivatives may be granted calendar spread treatment till the expiry of the near month contract.

This circular is being issued in exercise of powers conferred by sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This circular is available on SEBI website at www.sebi.gov.in, under the category "Derivatives – Circulars".

Yours faithfully,

SUJIT PRASAD