

## **Comparative study of growth in Equity Derivatives Segment vis-à-vis Cash Market after recent measures**

### **A. Executive Summary**

1. Derivatives market assist in better price discovery, improve market liquidity and allow investors to manage their risks better. However, with an explosion in index options trading on expiry day over time, concerns arose around investor protection & systemic stability. Accordingly, measures were introduced to strengthen equity index derivatives framework, as mentioned in para 5 of the report.
2. The trading activity in Equity Derivatives Segment (EDS) after these measures – both across all investors, and for individuals alone, has been analyzed (i.e. from December 2024 to May 2025). Key findings are as follows:
  - a. Index options turnover, year on year, is down by 9% (in premium terms) and 29% (in notional terms). However, compared to 2 years ago, index options volume is up by 14% (in premium terms) and 42% (in notional terms).
  - b. Turnover of individuals in premium terms in EDS is down by 11% year on year and up by 36% over similar period two years ago.
  - c. Number of unique individual investors trading in EDS down by 20% compared to previous year and up by 24% from 2 years ago.
  - d. India continues to see relatively very high level of trading in EDS, compared to other markets, particularly in index options.
3. SEBI vide [circular dated May 29, 2025](#), introduced certain measures to strengthen risk metrics in derivatives with following key objectives:
  - a. Better monitoring and disclosure of derivatives risks
  - b. Reducing instances of spurious F&O ban periods in single stocks
  - c. Better oversight over the possibility of concentration or manipulation risk in index options

4. Analysis of profit and loss of individual traders in EDS suggests that at aggregate level, nearly 91% of individual traders incurred net loss in EDS in FY 2025 (similar trend was observed in FY 2024).

**B. Detailed Note on trend in trading activity**

5. SEBI vide [circular dated October 01, 2024](#), introduced following measures to strengthen equity index derivatives framework.

**Table 1: Summary of recent measures in EDS**

Sr. no.	Measure	Effective From
i.	Rationalization of Weekly Index derivatives products	November 20, 2024
ii.	Increase in tail risk coverage on the day of options expiry	November 20, 2024
iii.	Increased contract size for index derivatives*	January 02, 2025
iv.	Rationalization of Monthly index derivative products**	January 2025
v.	Upfront collection of Option Premium from buyers	February 10, 2025
vi.	Removal of Calendar spread treatment on the Expiry Day	February 10, 2025
vii.	Intraday monitoring of position limits***	April 01, 2025

\* Minimum contract sizes on NSE and BSE were increased w.e.f. Jan 02, 2025 and Jan 10, 2025 respectively.

\*\*All index derivatives products for each exchange to expire on single day of the week i.e. BSE on Tuesday, NSE on Thursday and MSE on Friday.

\*\*\*Vide circular dated March 28, 2025, breach of position limits intraday for index derivatives were exempted from any penalty, until further directions.

6. With the intention to gauge the trading activity in EDS after these measures were introduced – both across all investors, and for individuals alone, activity from December 2024 to May 2025 (six months), after the above measures started to take effect, is considered. For perspective and comparison, trading activity over similar periods across earlier years is also provided. It may however be pertinent to note that any causality can be difficult to establish, given that multiple variables and factors may be behind any variation in volumes.
7. During the period FY 2020 to FY 2025, the turnover growth in overall EDS (options in premium terms) and the Cash Market (CM) are comparable i.e. Average Daily Traded Value in CM grew at the CAGR of 25% whereas that in EDS grew at 23%.

**Table 2: Long-term trend in turnover for EDS and CM**

Avg. Daily Turnover (₹Cr.)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	5Y CAGR
EDS	92,724	1,21,882	1,47,039	1,62,728	1,97,649	2,63,832	23%
CM	39,148	66,007	72,368	57,666	87,978	1,20,782	25%

8. During these five years, within EDS, options segment (in premium terms) grew at the fastest rate with average daily premium traded growing at the CAGR of 72% for index options and 54% for single stock options. Similar trend is observed in notional turnover with index options turnover growing at CAGR of 101% and stock options turnover growing at CAGR of 61%.

**Table 3: Long-term segment wise trend in turnover for EDS**

Avg. Daily Turnover (₹Cr.)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	5Y CAGR
Index Options – Premium	4,359	10,569	23,601	43,947	58,076	64,881	72%
Stock Options – Premium	924	2,320	4,201	3,754	5,573	8,114	54%
Index Options – Notional	12,59,389	25,04,490	67,55,624	1,51,05,539	3,51,98,073	4,18,23,244	101%
Stock Options – Notional	49,777	1,05,430	2,27,153	2,37,993	3,73,398	5,38,972	61%

9. During the period FY 2020 to FY 2025, the turnover of individuals in EDS grew at the CAGR of 19%. Growth in average daily traded value by Individuals was the highest for index options (CAGR 82%) followed by stock options (CAGR 48%). For reference, in FY 2019-20, of every ₹100 traded by individuals in EDS, around ₹5 went in to index options. This rose to ₹41 in FY 2024-25.

**Table 4: Long-term trend in turnover in EDS for individuals**

Avg. daily traded value by individuals (₹Cr.)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	5Y CAGR
Overall EDS	25,359	36,045	35,250	40,735	48,860	61,534	19%
Index Options	1,256	3,326	7,954	15,423	20,796	25,324	82%
Stock Options	297	749	1,384	1,171	1,655	2,142	48%

10. During December 2024 to May 2025, average daily traded value in EDS witnessed degrowth of 5% when compared to the similar period last year (i.e. December 2023 to May 2024) and witnessed a growth of 46% over similar period 2 years back (i.e. December 2022 to May 2023). In comparison to the above, average daily traded value in CM saw a degrowth of 11% over the

similar period last year and a growth of 91% over similar period 2 years back. For reference, trend in turnover in EDS and CM for FY 2020-2025 is covered in table 2 of the study above.

**Table 5: Recent trend in turnover of EDS and CM (Market wide)**

Avg. daily traded value (₹Cr.)	Dec 24- May 25 (A)	Dec 23- May 24 (B)	Dec 22- May 23 (C)	A compared to B	A compared to C
EDS	2,43,094	2,55,206	1,66,730	-5%	46%
CM	1,05,544	1,18,190	55,366	-11%	91%

11. Within EDS, during the last 6 months, average daily premium traded for index options saw a degrowth of 9% (or degrowth of 29% in notional terms) compared to similar period in the previous year and a growth of 14% (or growth of 42% in notional terms) compared to similar period two years back. For reference, trend in turnover in Index options for FY 2020-2025 is covered in table 3 of the study above.

**Table 6: Recent trend in turnover of index options segment**

Avg. daily premium traded (₹Cr.)	Dec 24- May 25 (A)	Dec 23- May 24 (B)	Dec 22- May 23 (C)	A compared to B	A compared to C
Index Options - Market wide (Premium)	61,533	67,467	54,086	-9%	14%
Index Options - Market wide (Notional)	3,18,50,658	4,48,42,314	2,24,69,205	-29%	42%

12. During December 2024 to May 2025, average daily traded value by individual investors in EDS witnessed degrowth of 11% when compared to the similar period previous year and witnessed a growth of 36% over similar period 2 years back. For reference, trend in turnover in EDS for FY 2020-2025 is covered in table 4 of the study above.

**Table 7: Recent trend in turnover for EDS (Individual investors)**

Avg. daily traded value (₹Cr.)	Dec 24- May 25 (A)	Dec 23- May 24 (B)	Dec 22- May 23 (C)	A compared to B	A compared to C
EDS - individual	56,042	62,722	41,272	-11%	36%

13. During the last 6 months, the number of overall unique traders dealing in EDS (across NSE and BSE) witnessed a degrowth of 20% compared to previous year and witnessed a growth of 24% compared to similar period two years back.

It is seen that traders with total turnover less than ₹ 1 lakh witnessed high degrowth compared to previous year. The same bucket witnessed highest increase in unique investors in EDS compared to two years ago.

**Table 8: Market wide breakup of unique traders across various buckets (EDS)**

Investor count with traded value in EDS	Dec 24- May 25 (A)	Dec 23- May 24 (B)	Dec 22- May 23 (C)*	A compared to B	A compared to C
< ₹10,000	10,36,412	14,82,603	6,59,746	-30%	57%
>₹10,000 - <₹1 Lakh	12,47,137	16,01,235	9,35,569	-22%	33%
₹1 Lakh - ₹10 Lakh	16,61,303	21,71,763	14,94,229	-24%	11%
₹10 Lakh – ₹1 Cr	17,08,985	19,84,051	15,05,975	-14%	13%
₹1 Cr - ₹10 Cr	8,98,435	9,35,833	7,10,580	-4%	26%
> ₹10 Cr	2,22,202	2,49,799	1,78,891	-11%	24%
<b>Total</b>	<b>67,74,474</b>	<b>84,25,284</b>	<b>54,84,990</b>	<b>-20%</b>	<b>24%</b>

\* During the period, BSE did not have active participation in EDS. Further, the total traded values on BSE and NSE are aggregated for the respective periods to classify an entity in a given bucket.

14. Further, for the traders in various buckets as mentioned in the above table, the average traded value across all traders in the said bucket was calculated across BSE and NSE. For reference, the average traded value in EDS for traders in the comparable bucket for previous two years is also provided.

**Table 9: Market wide breakup of average traded value in EDS**

Average traded value in EDS (₹)	Dec 24- May 25	Dec 23- May 24 (B)	Dec 22- May 23 (C)	A compared to B	A compared to C
< ₹10,000	3,074	2,855	3,232	8%	-5%
>₹10,000 - <₹1 Lakh	41,809	41,915	42,929	0%	-3%
₹1 Lakh - ₹10 Lakh	4,04,799	4,01,820	4,13,945	1%	-2%
₹10 Lakh – ₹1 Cr	37,07,977	35,94,684	36,03,921	3%	3%
₹1 Cr - ₹10 Cr	3,20,09,410	3,19,31,540	3,19,87,900	0%	0%
> ₹10 Cr	2,39,22,47,000	2,38,48,05,000	2,10,03,62,000	0%	14%

15. During the last 6 months, the count of individuals trading in EDS witnessed degrowth of 20% compared to previous year and witnessed a growth of 24% compared to similar period two years back.

**Table 10: Recent trend in unique individual traders in EDS**

Count of individual investors	Dec 24- May 25 (A)	Dec 23- May 24 (B)	Dec 22- May 23 (C)	A compared to B	A compared to C
Trading in EDS	67,55,579	84,06,551	54,68,988	-20%	24%

16. Minimum contract size of weekly index derivatives on NSE and BSE has been revised upwards from Jan 02, 2025 and Jan 10, 2025, respectively. Further, the same for monthly index derivatives products has been increased upwards from Feb 2025 onwards. Hence, the trend in number of contracts traded is not comparable to similar period in past. However, basis data of World Federation of Exchanges, for the period March 2025, Indian exchange holds top position among the global peers in terms of number of contracts traded with the average number of traded contracts more than 4.3 times higher than the second-ranked exchange.

### C. Analysis of profit and loss of individual traders in FY 2024-25

17. A study was undertaken on profits and losses made by individual traders in EDS for FY 2024-25. Top 13 stock brokers in EDS (combined client base of around 96 lakh unique traders in EDS as against around 107 lakh unique traders across market) were included in the study.

18. The study indicates that the net losses of individual traders widened by 41% to ₹1,05,603 crore in FY25 from ₹74,812 crore in FY24 (after accounting for transaction costs). Further, the percentage of traders making losses in EDS remained broadly unchanged at 91% from earlier study done by SEBI ([Link to previous SEBI study published on September 23, 2024](#)).

**Table 11: Annual profits and losses of individual traders in EDS –FY22 to FY25**

Year	Net Profit (₹Crore)	No. of traders (lakhs)	Loss makers (%)	Average per person P&L (₹)
FY22	-40,824	42.7	90.2%	-95,517
FY23	-65,747	58.4	91.7%	-1,12,677
FY24	-74,812	86.3	91.1%	-86,728
FY25	-1,05,603	96.0	91.0%	-1,10,069
<b>Y-O-Y Change</b>	<b>41%</b>	<b>11%</b>	<b>NA</b>	<b>27%</b>

19. Further, quarterly trend in participation and profit/loss outcome of individual traders was examined for FY 2024-25. Number of unique individual traders in EDS declined from around 61.4 lacs in FY25:Q1 to around 42.7 lacs in FY25:Q4 (i.e. Derivatives measures were rolled out from November 20, 2024 onwards). During the first three quarters of FY25, the aggregate net loss across the individual traders and the average net loss per person were rising. However, it is seen that in FY25:Q4, there is a reduction in losses of individual traders – both at aggregate as well as per person level. At aggregate level, however, the

quantum of loss as well as % of loss makers is at a level higher than that observed in FY25:Q1.

**Table 12: Quarterly profits and losses of individual traders in EDS – FY25**

Year	Net Profit (₹Crore)	No of /traders (lakhs)	Loss makers (%)	Average per person P&L (₹)
FY25:Q1	-21,255	61.4	84.5%	-34,606
FY25:Q2	-25,942	59.2	86.3%	-43,847
FY25:Q3	-33,661	53.5	88.5%	-62,975
FY25:Q4	-24,745	42.7	86.4%	-57,920
<b>Q3 to Q4 Change</b>	<b>-26%</b>	<b>-20%</b>	<b>NA</b>	<b>-8%</b>

Note:

1. Source of Data for the report: NSE, BSE
2. For long term trend in turnover, the entire period from FY 20 has been divided in to buckets of one month and average of such monthly averages are considered. Figures rounded off to nearest number.
3. Client category considered under Individual investor/trader: Individual and HUF. For profitability study (Section C of the Report), the client categories as taken in previous SEBI study on profit/loss in EDS have been considered.

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