

Consultation Paper on Ease of Doing Business- Framework for strike prices of options contracts

1. Objective:

- 1.1. The objective of the consultation paper is to obtain feedback with regard to proposal on framework for introduction and ongoing management of strike prices for options in derivatives segment focussed around predictability and availability of options strikes (i.e. options contracts) in case of heightened intraday volatility, for ease of trading in the segment.

2. Background:

- 2.1. At present, there is a Regulatory framework pertaining to 'Rationalisation of strike intervals for long dated index options and framework to disable existing long dated strikes'. Other than the aforesaid, each exchange follows its own framework around introduction and management of strike intervals for options on various underlyings and futures contracts.
- 2.2. Strike Intervals have bearing on trading activity of market participants in terms of availability of trading products for the participants. These products need to be loaded in the trading applications / portals of stock broker on a daily basis and thus, also has a bearing on the systems of stock brokers.
- 2.3. In case of significant intraday volatility, resulting into price movement beyond farthest available strike price, the market participants could be inconvenienced because of unavailability of options contracts around prevailing price.

3. Regulatory Objective:

- 3.1. To provide broad modalities around introduction and ongoing management of strike prices of options contracts
- 3.2. To ensure that the framework enables intraday introduction of options strike prices in the direction of price movement in the underlying / futures contracts
- 3.3. To ensure that the framework is reviewed periodically and feedback of market participants is obtained as part of review process of strike prices / interval.

4. Proposals:

Keeping in mind the aforesaid objectives, following proposals are made:

- 4.1. All Stock Exchanges shall put in place a comprehensive framework covering following major points around options contracts:
- 4.1.1. Rules and formulations for introduction of options contracts to cover certain minimum number of In-The-Money and Out-of-The-Money options contracts
 - 4.1.2. Daily review of availability of strike prices around prevailing market price to ensure trading continuity by market participants
 - 4.1.3. Daily review of existing strike prices to purge/eliminate contracts that are far away from prevailing market price
- 4.2. The framework shall have a provision to introduce new strike prices (i.e. options contracts) intraday during market hours, in the direction of price movement in the underlying.
- 4.3. Such intraday introduction of strikes prices (i.e. options contracts) shall not require changes in the systems of stock brokers or market participants during live market operations.
- 4.4. The operationalization of the aforesaid through various rules/formulae shall be at the discretion of individual stock exchanges including whether to keep larger strike intervals for contracts away from prevailing market price, minimum number of options contracts to be issued etc.
- 4.5. Stock exchanges shall publish such framework on their website and review the framework periodically in consultation with market participants.
- 4.6. The framework shall be applicable to options in all segments i.e. equity, currency, commodities etc. Rules / formulae mentioned at para 4.4 can be different for different sub-segments depending on the liquidity and participation in that sub-segment.
- 4.7. Upon operationalization of the aforesaid, Clause 2.1.7.3 of Chapter 5 of SEBI Master Circular on Stock Exchanges and Clearing Corporations dated December 30, 2024 shall be discontinued

5. Invitation for Public Comments:

- 5.1. Public comments are invited on the proposals outlined at Para 4 of the consultation paper. The comments/ suggestions should be submitted latest by

June 15, 2026, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

5.2. In case of any technical issue in submitting your comment(s) through the web based public comments form, you may email your comment(s) to Mr. Darshil Bhatt, DGM (darshilb@sebi.gov.in), Mr. Harshad Patil, AGM (harshadp@sebi.gov.in), mrd_tpad@sebi.gov.in. While sending the email, kindly mention the subject as “Consultation Paper on Ease of Doing Business-Framework for strikes of options contracts”

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