भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

DRAFT CIRCULAR ON EXCHANGE TRADED DERIVATIVES

ABBREVIATIONS

AD -1	AUTHORIZED DEALER CATEGORY-I BANK
AIFs	ALTERNATIVE INVESTMENT FUNDS
ADTV	AVERAGE DAILY TRADED VALUE
ADDV	AVERAGE DAILY DELIVERY VALUE
AMCs	ASSET MANAGEMENT COMPANIES
AMFI	ASSOCIATION OF MUTUAL FUNDS IN INDIA
ASBs	AUTHORIZED STOCK BROKERS
ATM	AT THE MONEY
BMC	BASE MINIMUM CAPITAL
CBIF	CORPORATE BOND INDEX FUTURES
CCs	RECOGNISED CLEARING CORPORATIONS
CTM	CLOSE TO THE MONEY
DPL	DAILY PRICE LIMITS
DSP	DAILY SETTLEMENT PRICE
E	EXPIRY DAY
EFE	ELIGIBLE FOREIGN ENTITIES
EOD	END OF DAY
ETCD	EXCHANGE TRADED COMMODITY DERIVATIVES
FAQs	FREQUENTLY ASKED QUESTIONS
FCRA	FORWARD CONTRACTS (REGULATION) ACT, 1952
FDR	FIXED DEPOSIT RECEIPTS
FED	FINAL EXPIRY DATE
FEMA	FOREIGN EXCHANGE MANAGEMENT ACT, 1999
FIMMDA	FIXED INCOME MONEY MARKET AND DERIVATIVES ASSOCIATION OF INDIA
FPIs	FOREIGN PORTFOLIO INVESTORS
FPOs	FARMER PRODUCER ORGANIZATIONS
FSD	FINANCIAL SECURITY DEPOSIT
FSP	FINAL SETTLEMENT PRICE
FVCI	FOREIGN VENTURE CAPITAL INVESTORS
GDS	GOLD DEPOSIT SCHEME
GLEIF	GLOBAL LEGAL ENTITY IDENTIFIER FOUNDATION
GMS	GOLD MONETISATION SCHEME
Gold ETFs	GOLD EXCHANGE TRADED FUNDS
INR	INDIAN RUPEES

ITM	IN THE MONEY
LTP	LAST TRADED PRICE
MFs	MUTUAL FUNDS
MIIs	MARKET INFRASTRUCTURE INSTITUTIONS
MoUs	MEMORANDUM OF UNDERSTANDING
MQSOS	MEDIAN QUARTER SIGMA ORDER SIZE
MSMEs	MICRO, SMALL AND MEDIUM ENTERPRISES
MT	METRIC TON
MTM	MARK TO MARKET
MWPL	MARKET WIDE POSITION LIMIT
NAV	NET ASSET VALUE
NDS	NEGOTIATED DEALING SYSTEM
NISM	NATIONAL INSTITUTE OF SECURITIES MARKET
NRIs	NON-RESIDENT INDIA
OI	OPEN INTEREST
OTM	OUT OF THE MONEY
PAC	PRODUCT ADVISORY COMMITTEE
PAN	PERMANENT ACCOUNT NUMBER
PFMI	PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURE
PSF	PRODUCT SUCCESS FRAMEWORK
PSU	PUBLIC SECTOR UNDERTAKING
QSOS	QUARTER SIGMA ORDER SIZE
RBI	RESERVE BANK OF INDIA
RMS	RISK MANAGEMENT SYSTEM
SCRA	SECURITIES CONTRACTS (REGULATION) ACT, 1956
SCRR	SECURITIES CONTRACT (REGULATION) RULES, 1957
SEBI	SECURITIES AND EXCHANGE BOARD OF INDIA
SE	STOCK EXCHANGE
SECC Regulations	SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) REGULATIONS, 2018
SPN	SECURED PREMIUM NOTES
SOP	STANDARD OPERATING PROCEDURE
UCC	UNIQUE CLIENT CODE
VWAP	VOLUME WEIGHTED AVERAGE PRICE

1. EQUITY DERIVATIVES

1.1. **Application for launching Equity Derivatives contracts**

The Stock Exchanges shall submit their proposal for approval of the index futures/options, stock futures/options contracts to SEBI which shall include:

1.1.1. Symbol
1.1.2. Underlying - (for stock option contracts, giving details of the calculations mentioned and ensuring that the stock fulfils the eligibility criterion specified)
1.1.3. Multiplier / Lot Size
1.1.4. Strike Price Intervals (for index and stock options)
1.1.5. Premium Quotation (for index and stock options)
1.1.6. Last Trading Day
1.1.7. Expiration day/month
1.1.8. Exercise Style (for index and stock options)
1.1.9. Position and Exercise Limits (for index and stock options)
1.1.10. Settlement of Option Exercise (for index and stock options)
1.1.11. Methodology for calculating closing price for mark to market settlement. (for stock futures)
1.1.12. Methodology for calculating closing price at time of expiry(for stock futures)
1.1.13. Margins
1.1.14. Trading Hours
1.1.15. the economic purpose it is intended to serve,
1.1.16. likely contribution to market development,
1.1.17. the safeguards and the risk protection mechanism adopted by the exchange to ensure market integrity, protection of investors and smooth and orderly trading,
1.1.18. the infrastructure of the exchange and the surveillance system to effectively monitor trading in such contracts, and
1.1.19. details of settlement procedures & systems
1.1.20. details of back testing of the margin calculation for a period of one year considering a call and a put option on the underlying with a delta of +25 & -25 and actual price of the underlying security(for stock options).

1.2. **Product Design**

S.No/ Category	**INDEX FUTURES**	**INDEX OPTIONS**	**STOCK FUTURES**	**STOCK OPTIONS**
1.2.1. Underlying	1.2.1.1.The benchmark indices and the various sectoral indices are permitted as per eligibility criteria.		1.2.1.2. The stocks listed on exchanges which conform to the eligibility criteria are permitted.	
1.2.2. Eligibility Criteria	**1.2.2.1. Benchmark indices** 1.2.2.1.1. The Exchange may consider introducing derivative contracts on an index, if weightage of constituent stocks of the index, which are individually eligible for derivatives trading, is at least 80%. However, no single ineligible stock in the index shall have a weightage of more than 5% in the index. The index on which futures and options contracts are permitted shall be required to comply with the eligibility criteria on a continuous basis. 1.2.2.1.2 The Exchange shall check whether the index continues to meet the aforesaid eligibility criteria on a monthly basis. If the index fails to meet the eligibility criteria for three consecutive months, then no fresh contract shall be issued on that index. However, the existing unexpired contracts shall be permitted to trade till expiry and new strikes may also be introduced in the existing contracts. **1.2.2.2. Non-Benchmark indices**[1] Exchanges shall follow the following prudential norms before introducing derivatives on non-benchmark indices: 1.2.2.2.1. Minimum of 14 constituents. 1.2.2.2.2. Top constituent's weight ≤ 20% 1.2.2.2.3. Combined weight of the top three constituents ≤ 45% 1.2.2.2.4 All other constituents' individual weights must be lower than those of the higher-weighted constituents (i.e., a descending weight structure). Exchanges shall evaluate and ensure compliance with the aforesaid additional criteria at the end of every calendar quarter.		**1.2.2.3. Stock futures and Options**[2] **1.2.2.3.1. Average Daily Market Capitalization and Average Daily Traded value (ADTV):-** Amongst top 500 stocks **1.2.2.3.2. The stock's Median Quarter Sigma Order Size (MQSOS) shall not be less than:-** INR 75 lakhs **1.2.2.3.3. The stock's market wide position limit (MWPL), shall not be less than:-** INR 1,500 crores **1.2.2.3.4. The stock's Average daily delivery value (ADDV) in the cash market, shall not be less than:-** INR 35 crores 1.2.2.4. The above criteria are to be met for a continuous period of six months, on a rolling basis, based on the data of previous 6 months. 1.2.2.5. In case circuit filter on a stock is reduced even once during the past six months, on account of surveillance action, then that stock should undergo a cooling off period of six months before the exchange decides to introduce derivatives on it. 1.2.2.6. The Exchange shall be guided by the methodology given at para 1.2.12 for the purpose of calculating QSOS in a stock. 1.2.2.7. The details of calculation methodology and relevant data shall be made available to the public at large on the website of the exchange.	

[1] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025
[2] Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/116 dated August 30, 2024

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
			1.2.2.8. The quarter sigma order size in a stock shall be calculated on the 15th of each month, on a rolling basis, considering the order book snapshots in the previous six months. Similarly, the average daily market capitalization, average daily traded value and the average daily delivery value shall also be computed on the 15th of each month, on a rolling basis, to arrive at the list of top 500 stocks. 1.2.2.9. Stocks which meet the eligibility criteria in the underlying cash market of any stock exchange would be permitted to trade in equity derivatives segment of all stock exchanges. The stock exchanges shall calculate the closing price of the underlying in the manner specified by SEBI. 1.2.2.10. In addition, other aspects, such as, any surveillance concerns, ongoing investigations, or other administrative considerations shall be taken into account by SEBI, while considering a stock for introduction into derivatives segment. 1.2.2.11. The number of eligible stocks may vary from month to month depending upon the changes in quarter sigma order sizes, average daily market capitalization, average daily traded value and average daily delivery value calculated every month on a rolling basis for the past six months.	
1.2.3. Exit norms based on Product Success Framework (PSF)	1.2.3.1. The PSF[3] shall be applicable to all equity index derivatives at the underlying level. The framework shall not be applicable to flagship index of the exchange. 1.2.3.2. The criteria for evaluation of the index derivatives for product success framework are as follows: a) 15% of trading members active in all index derivatives or 20 trading members whichever is lower should have traded in any derivative contract on the index being reviewed in each of the month during the review period, b) Trading on a minimum of 75% of the trading days during the review period, c) Average daily turnover of at least INR 10 crore during the review period, and d) Average daily open interest of INR 4 crore during the review period.		**1.2.3.4. Exit criteria based on performance of the underlying** 1.2.3.4.1. If a stock in equity derivatives segment fails to meet any of the above criteria, as mentioned at para 1.2.2.3. above, for a continuous period of three months, on a rolling basis, based on the data for previous six months, then it shall exit from derivatives segment. No new contract shall be issued on stocks that may exit the derivatives segment. However, the existing unexpired contracts may be permitted to trade till expiry and new strikes may also be introduced in the existing contract months. 1.2.3.4.2. The above mentioned criteria for exit shall apply to only those stocks which have completed at-least 6 months	

[3] SEBI letter SEBI/HO/MRD/11350 dated April 12, 2018

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	Each of the above criteria shall be satisfied for continuation of the derivatives on the given index. If any index fails to satisfy any of the above mentioned criteria, then no fresh contracts shall be issued on that index. However, the existing unexpired contracts may be permitted to trade till expiry and new strikes may also be introduced in the existing contracts. Further, exchanges shall disclose the PSF evaluation report on their respective websites. **1.2.3.3. Surrogate / Pseudo index** a) Even if an index does not fulfil all the criteria during a review, the Exchange may not discontinue derivatives on that index provided there is a surrogate/pseudo index in another exchange(s), which continue to meet the evaluation criteria on the respective exchange. The index under review must have been surrogate/pseudo to another index on the date of review and must have remained as such for the major duration of the review period. b) For this purpose, an index may be considered to be surrogate/pseudo of another index, if all the following conditions are met: I. The number of constituents is equal in both the indices. If not, then the number of constituents in the smaller index (index with smaller number of constituents) is not less than 80% of the number of constituents in the larger index, II. At least 50% of the constituent stocks in the larger index are also part of the smaller index, and III. The correlation between the two indices is at least 0.90 for the previous 6 months on a rolling basis. c) An index in an exchange shall have only one pseudo/surrogate index per exchange. d) All index derivatives would be reviewed semi-annually in the first week of April and October based on the data for the preceding six months i.e. period of review would be October to March for the April review and April to September for the October review. e) Only those index derivatives which have completed at least 21 months from the launch month would be liable for review. f) Once an index is excluded from the derivatives list, it shall not be considered for re-inclusion for a period of at least six months. Exchanges may consider re-launching derivative contracts on the same index after carrying out suitable		from the date of introduction. After the said gestation period, the stocks failing to meet the eligibility criteria as stated at para 1.2.2.3. above, shall exit from derivatives segment in the upcoming review cycle. 1.2.3.4.3. A stock will exit from derivatives segment if it fails in meeting eligibility criteria across all exchanges based on performance in the underlying cash market. If a stock is meeting the eligibility criteria on any exchange, it will continue to be eligible for derivatives segment on all exchanges. 1.2.3.4.4. Once a stock is excluded from the derivatives segment, it shall not be considered for re-inclusion for a period of one year from its last trading day in the derivatives segment.[4] **1.2.3.5. Additional Exit norms based on introduction of a Product Success Framework (PSF) for stock derivatives** 1.2.3.5.1.The criteria for the PSF framework for single stock derivatives is as follows. 1.2.3.5.1.1. At least 15% of trading members active in all stock derivatives (trading member who has traded during the month) or 200 trading members, whichever is lower, shall have traded in any derivative contract on the stock being reviewed on an average on monthly basis during the review period, 1.2.3.5.1.2. Trading on a minimum of 75% of the trading days during the review period, 1.2.3.5.1.3. Average daily turnover (futures + options premium) of at least INR 75 crores during the review period, and 1.2.3.5.1.4. Average daily notional open interest (futures + options notional) of at least INR 500 crores during the review period. 1.2.3.5.2. Each of the above criteria shall be satisfied for continuation of the derivatives on the given stock. If any stock fails to satisfy any of the above mentioned	

[4] SEBI Circular No. CIR/MRD/DRMNP/11/2013 dated April 01, 2013

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	modification(s) in contract specifications based on market feedback, after a cooling off period of at least six months, subject to SEBI approval.		criteria for a continuous period of three months, on a rolling basis, based on the data for previous six months, then no fresh contracts shall be issued on that stock. However, the existing unexpired contracts may be permitted to trade till expiry and new strikes may also be introduced in the existing contracts. 1.2.3.5.3. Further, only those stock derivatives which have completed at least 6 months from the date of introduction shall be considered for review in the upcoming review cycle. After the said gestation period, the stocks failing to meet the eligibility criteria as stated at para 1.2.3.5.1 above, for three subsequent months, shall exit from derivatives segment. Once a stock is excluded from the derivatives segment due to PSF, it shall not be considered for re-inclusion for a period of one year from its last trading day in the derivatives segment. 1.2.3.5.4. The PSF review cycle shall be aligned with the review of entry and exit norms based on performance in underlying cash market i.e. all the above criteria for PSF shall be calculated on the 15th of each month, on a rolling basis, considering the data for previous six months. 1.2.3.5.5. A stock will exit from derivatives segment if it fails to meet the PSF criteria on all the exchanges. If a stock is meeting the PSF criteria on any exchange, it will continue to be eligible for derivatives segment on all exchanges. 1.2.3.5.6. A stock which is dropped from derivatives trading may become eligible once again. Derivative contracts on such stocks may be re-introduced by the exchange subject to SEBI approval. 1.2.3.5.7. The Exchange may compulsorily close out all derivative contract positions in a particular underlying when that underlying has ceased to satisfy the eligibility criteria or the exchange is of the view that the continuance of derivative contracts on such underlying is detrimental to the interest of the market keeping in view the market integrity and safety. The decision of such forced closure of derivative contracts shall be taken in consultation with other exchanges where such derivative contracts are also traded	

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
			and shall be applied uniformly across all exchanges.	
1.2.4. Size of the Contract[5]	1.2.4.1. A derivative contract shall have a value of not less than Rs. 15 Lakhs at the time of its introduction in the market. The lot size for derivatives contracts in index derivatives segment shall be fixed in such a manner that the contract value of the derivative on the day of review is within Rs. 15 lakhs and Rs. 20 lakhs. Further, the lot size (in units of underlying) shall be fixed as a multiple of 5, provided the lot size is not less than 10. 1.2.4.2. Exchanges shall review the lot size once in every 6 months based on the average of the closing price of the underlying for last one month and wherever warranted, revise the lot size by giving an advance notice of at least 2 weeks to the market. If the revised lot size is higher than the existing one, it will be effective for only new contracts.		1.2.4.3. A derivative contract shall have a value of not less than Rs. 5 Lakhs at the time of its introduction in the market. The lot size for stock derivatives contracts shall be fixed in such a manner that the contract value of the derivative on the day of review is within Rs. 5 lakhs and Rs. 10 lakhs. Further the lot size (in units of underlying) shall be fixed as a multiple of 25, provided the lot size is not less than 50. However, if the contract value of the stock derivatives at the minimum lot size of 50 is greater than Rs. 10 lakhs, then lot size shall be fixed as a multiple of 5, provided the lot size is not less than 10. in case the contract value exceeds Rs.10 lakhs with minimum lot size as 10, Exchange shall fix the lot size as 5 in order to have the contract value between Rs. 5 lakhs to Rs. 10 Lakhs.[6] 1.2.4.4. The SEs shall review the lot size once in every 6 months based on the average of the closing price of the underlying for last one month and wherever warranted, revise the lot size by giving an advance notice of at least 2 weeks to the market. If the revised lot size is higher than the existing one, it will be effective for only new contracts.	
1.2.5. Lot size	Exchanges shall ensure that the lot size is same for an underlying traded across Exchanges.			
1.2.6. Quotation	The equity derivatives contract shall be quoted in rupee terms.			
1.2.7. Tenor of the contract	The equity derivative contracts shall have a maximum maturity of 12 months. However, the index option contracts on Nifty and SENSEX shall have a maximum maturity up to 5 years.			

[5] Circular no. CIR/MRD/DP/14/2015 dated July 13, 2015 and SEBI/HO/MRD/TPD1/P/CIR/2024/132 dated October 01, 2024
[6] SEBI Letter SEBI/HO/MRD/MRD-POD-2/P/OW/2024/ 6845/1 dated February 21, 2024

<table>
<tr><th>S.No/ Category</th><th>INDEX FUTURES</th><th>INDEX OPTIONS</th><th>STOCK FUTURES</th><th>STOCK OPTIONS</th></tr>
<tr><td>1.2.8. Available Contracts</td><td>1.2.8.1. Monthly maturities from 1 to 12 months.</td><td>1.2.8.2. For index options contracts on Nifty and Sensex :

8 semi-annual contracts of the cycle June/December in sequence to 3 serial monthly contracts and 3 quarterly contracts of the cycle March/June/ September/December.

1.2.8.3. Further, Weekly contracts would only be available on one benchmark index for each exchange.

1.2.8.4. For Index options, each maturity shall have a minimum of three strikes (in the money, at the money and out of the money).</td><td colspan="2">1.2.8.5. Single Stock derivative contracts shall have maturity of three months and three contracts of maturity of one-month, two-month and three-month would be introduced simultaneously. Therefore, at any point in time at least three contracts on a particular underlying would be available for trading.

1.2.8.6. For Stock options, each maturity shall have a minimum of three strikes (in the money, at the money and out of the money).</td></tr>
<tr><td>1.2.9. Settlement Mechanism</td><td>1.2.9.1. To be settled in INR.</td><td>1.2.9.2. To be settled in INR

The Exchanges shall introduce premium settled index options.</td><td>1.2.9.3. Physical settlement is mandatory7</td><td>1.2.9.4. To be settled in INR.
The Exchanges shall introduce premium settled American / European Style Stock options.</td></tr>
<tr><td>1.2.10. Settlement Price</td><td colspan="4">1.2.10.1. The stock exchanges shall calculate the closing price of the underlying in the manner specified by SEBI.</td></tr>
<tr><td>1.2.11. Final Settlement Day[8] (Expiry Day)</td><td colspan="4">1.2.11.1. Expiries of all equity derivatives contracts of an exchange will be uniformly limited to either Tuesday or Thursday.
1.2.11.2. Every exchange will continue to be allowed one weekly benchmark index options contract on their chosen day
1.2.11.3. Besides benchmark index options contracts, all other equity derivatives contracts, viz., all benchmark index futures contracts, non-benchmark index futures / options contracts, and all single stock futures / options contracts will be offered with a minimum tenor of 1 month, and the expiry will be in the last week of every month on their chosen day (that is last Tuesday or last Thursday of the month).
1.2.11.4. Exchanges will seek prior approval of SEBI for modifying the settlement day of their derivatives contracts from the one which has been existing.</td></tr>
</table>

[7] Circular No. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018, Circular no. SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018 and Circular No. SEBI/ HO/MRD/DOPI/CIR/P/2019/28 dated February 08, 2019

[8] Circular No. SEBI/HO/MRD/MRD-TPD-1/P/CIR/2025/76 dated May 26, 2025

1.2.12. Methodology for calculating Quarter sigma order size (QSOS) in a stock:

1.2.12.1. QSOS shall be calculated by taking four snapshots in a day from the order book of the stock in the past six months. These four snapshots shall be randomly chosen from within four fixed ten-minutes windows spread through the day.

1.2.12.2. The sigma (standard deviation) or volatility estimate shall be the daily closing volatility estimate which is also used for day end initial margin calculation in derivative contracts on a stock. For stocks on which derivative contracts are not traded, the daily closing volatility estimate shall be computed in the manner as specified under provisions related to Risk Management. The daily closing volatility estimate value shall be applied to the day's order book snapshots to compute quarter sigma order size.

1.2.12.3. The quarter sigma percentage shall be applied to the average of the best bid and offer price in the order book snapshot to compute the order size to move price of the stock by quarter sigma.

1.2.12.4. The median order size to cause quarter sigma price movement shall be determined separately for the buy side and the sell side. The average of the median order size for the buy and the sell side shall be taken as the median quarter sigma order size.

1.3. **Surveillance**

1.3.1. Formulation of Open Interest[9]

1.3.1.1. Open Interest (OI) of the participants in derivatives shall be measured at a portfolio level by computing the net Delta adjusted open positions across futures and options for an underlying at a given point in time. Delta denotes sensitivity of price movement of derivative position with respect to that of the underlying. Accordingly, long futures have a delta of +1 times notional. For options, delta will range between 0 and +1 times notional for long calls and between 0 and –1 times notional for long puts. In case of short options position, effective delta for short calls is negative and that of short put is positive.

1.3.1.2. Gross addition of such net Future Equivalent Open Interest (FutEq OI) across all Unique Client Codes (UCCs) would form the FutEq OI for the Stock/Index Derivatives, as illustrated in Table below.

Illustration of FutEq OI for various F&O positions

[9] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025.

Scrip 1	Long position in Futures	Long position in Call	Delta of long call	Long Position in Put	Delta of long Put	Short Position in Put	Delta Of Put	Short position in call	Delta of Call	Notional OI	FutEq OI
Client 1	300									300	300
Client 2		500	0.5							500	250
Client 3	300	500	0.5	400	-0.5					1200	350
Client 4						-400	-0.5	-400	0.5	800	0
Market wide OI										**2800**	**900**

1.3.1.3. Exchange shall disseminate FutEq OI for all the scrips/indices on their websites and have been intimating entity level FutEq OI to participants through their portal.

1.3.2. **Position Limits**

S.No / Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
1.3.2.1. Market level	1.3.2.1.1 There are no market wide position limits specified for index futures and index option contracts.		1.3.2.1.2. Market Wide Position Limit (MWPL) for single stocks is calculated through the new formulation of OI measurement and also link it to cash market activity in the following way:[10] 1.3.2.1.2.1. The MWPL shall be lower of 15% of free float and 65x Average Daily Delivery Value (ADDV) across CCs with a floor limit of 10% of free float. 1.3.2.1.2.2.This metric shall be recalculated every three months based on the rolling ADDV for the preceding three month period. 1.3.2.1.2.3.At the end of each day the Exchanges shall test whether the market wide FutEq OI for any scrip exceeds 95% of the MWPL for that scrip.	

[10] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025

S.No / Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
			1.3.2.1.4. Position Creation for Single Stocks during Ban Period[11] 1.3.2.1.4.1. Once the market wide Open Interest for any scrip exceeds 95% of the MWPL for the scrip, the members/clients shall trade only to decrease their positions through offsetting positions (this is called ban period). 1.3.2.1.4.2. It has been decided that any trading done by entities in the derivatives contracts of a scrip, subsequent to its entry in the ban period, should result in reduction of FutEq OI on end of day basis. For instance, if delta position is (+10) or say (-10) at the end of day 1, then it could be reduced till 0 by end of day 2. Change in sign of delta value would not be considered an acceptable instance of reduction of delta position. Further, passive increase in FutEq OI on account of movement in the scrip shall not be considered a breach. 1.3.2.1.4.3. For illustration, assume the position of an entity at the end of day 1 when the scrip went in to ban period in derivatives, as mentioned in the **Annexure 1a.** For subsequent days, the examples of permissible behavior from the perspective of delta reduction is illustrated in **Annexure 1a.** 1.3.2.1.4.4. While the Exchange will take this action only at end of day, they shall disclose real time information about the market wide open interest as a percentage of the market wide position limits. 1.3.2.1.4.5. At the end of each day during which the ban on fresh positions is in force for any scrip, the Exchange shall test whether any member or client has increased his existing positions or has created a new position in that scrip. If so, that client shall be subject to a penalty equal to a specified percentage (or basis points) of the increase in the position (in terms of notional value). The penalty shall be recovered before trading begins next day. The Exchange shall specify the percentage or basis points, which	

[11] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025

<table>
<tr><th>S.No / Category</th><th>INDEX FUTURES</th><th>INDEX OPTIONS</th><th>STOCK FUTURES</th><th>STOCK OPTIONS</th></tr>
<tr><td></td><td colspan="2"></td><td colspan="2">shall be set high enough to deter violations of the ban on increasing positions.

1.3.2.1.4.6. The normal trading in the scrip shall be resumed after the open outstanding position comes down to 80% or below of the market wide position limit.

1.3.2.1.4.7. With a view to operationalize implementation of monitoring of Market Wide Position Limits across Exchanges, the following procedure shall be followed:

<table>
<tr><th>At the latest on the Trading Day</th><th>Activity</th></tr>
<tr><td>6.30 PM</td><td>Each Exchange to disseminate on web the following for every security:
a. ISIN of the security,
b. Name and symbol of the security,
c. MWPL (in terms of no. of shares) of the security, and
d. Open Interest (in terms of no. of shares) of the security.</td></tr>
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<tr><th>S.No / Category</th><th>INDEX FUTURES</th><th>INDEX OPTIONS</th><th>STOCK FUTURES</th><th>STOCK OPTIONS</th></tr>
<tr><td></td><td colspan="2"></td><td colspan="2">
<table>
<tr><td>7.00 PM</td><td>Each Exchange to disseminate on web the following for every security, after aggregating across Exchanges:
a. ISIN of the security,
b. Name and symbol of the security,
c. MWPL (in terms of no. of shares) of the security,
d. Open Interest (in terms of no. of shares) of the security,
and
e. Permissible limits for next day in terms of provisions of Para 1.3.2 of this Circular.</td></tr>
<tr><td>7.15 PM</td><td>Each Exchange to report any discrepancy in the above data to other Exchanges and after correction, disseminate the final data on the web.</td></tr>
</table>
1.3.2.1.4.8. The above data shall be in a machine readable, open format (preferably XML format).

1.3.2.1.4.9. Further, the Exchange shall check on a monthly basis, whether a stock has remained subject to the ban on new position for a significant part of the month consistently for three months. If so, then the Exchange shall phase out derivative contracts on that underlying.</td></tr>
<tr><td>1.3.2.2. Trading Member (Proprietary) / FPI/ Mutual Fund/ Client Level[12]</td><td colspan="2">1.3.2.2.1. Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:

1.3.2.2.1.1. Aggregate short positions in index derivatives (short futures, short calls and long puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index</td><td colspan="2">1.3.2.2.2. Client / NRI: 10% of MWPL

1.3.2.2.3. Trading Member: (Proprietary) 20% of MWPL

1.3.2.2.4. FPI (Category I) / MF: 30% of MWPL

1.3.2.2.5. FPI (Category II - other than FPIs in sub-category individuals, family offices, corporates): 20% of MWPL</td></tr>
</table>

[12] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025

S.No / Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	futures) the holding of stocks. The same shall be sourced from the depositories by the SEs. 1.3.2.2.1.2. Aggregate long positions in index derivatives (long futures, long calls and short puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index futures) the holding of cash and cash equivalent, government securities, T-Bills and similar instruments. The members of the respective entities shall report the same to Clearing Corporation.		1.3.2.2.6. **FPI (Category II - FPIs in sub-category individuals, family offices, corporates):** 10% of MWPL	
1.3.2.3. Additional position limits for TM(proprietary)/FPIs/Mutual funds/Clients	**1.3.2.3.1 FPI Category I / Mutual Funds / Trading Member (Proprietary) / Clients** - higher of 15% of futures OI for that index or ₹500 cr. **1.3.2.3.2. FPI Category II (other than individuals, family offices and corporates)** - higher of 10% of futures OI or ₹500 cr. **1.3.2.3.3. FPI Category II (Individuals, family offices and corporates)** higher of 5% of futures OI or ₹500 cr. 1.3.2.3.4. The above stated position limits for index futures would be measured on a gross notional basis. The position limits shall be computed on a gross basis at the level of MF and on a net basis at the level of FPI/client/sub-schemes of MF and proprietary positions. 1.3.2.3.5. Stock Exchanges shall implement the a joint SOP, prepared in consultation with SEBI, for monitoring the positions of entities including the	1.3.2.3.5. Net end of day FutEq limit to be ₹1,500 cr and 1.3.2.3.6. Gross end of day FutEq limit to be ₹10,000 cr. (i.e. both long delta and short delta shall not cross ₹10,000 cr. each). Stock Exchanges shall implement the joint SOP prepared in consultation with SEBI, for monitoring the breach of position limits by the entities.	NA	

S.No / Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	penalty/additional surveillance margin framework for entities breaching the position limits.			
1.3.2.4. Trading Member (Proprietary + Client):	1.3.2.4.1. Position limits available for Trading Member (Proprietary + Clients) shall be higher of 15% of futures OI for that index or ₹7,500cr.[13] 1.3.2.4.2. The above stated position limits for index futures would be measured on a gross notional basis. Stock Exchanges shall implement the joint SOP including the penalty structure, prepared in consultation with SEBI, for monitoring the breach of position limits by the entities.	1.3.2.4.3. Position limits available for Trading Member (Proprietary + Clients) shall be higher of 15% of options OI for that index or ₹7,500 cr.[13] 1.3.2.4.4. The above stated position limits for index options would be measured on a gross notional basis	**1.3.2.4.5. Trading Member (Proprietary + Client) :** 30% of MWPL[14]	
1.3.2.5. Passive breaches of position limits	1.3.2.5.1. Positions of market participants in index future/index option contracts shall also be monitored based on total OI of the market in index future/index option contracts, at the end of previous day's trade. 1.3.2.5.2. In case of a drop in index futures OI/ index options OI compared to the previous day's index futures OI/index options OI, market participants may breach the specified position limits even if their positions have remained unchanged/reduced throughout the day. 1.3.2.5.3. Such cases of passive breaches shall not be considered as violation			

1.3.3. **Monitoring of position limits at the end of day[15]:**

[13] Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/140 dated October 15, 2024
[14] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025
[15] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
1.3.3.1. FPI / NRI/Clients	1.3.3.1.1 The FPI/Clients/NRI shall report to the Clearing Member (Custodian) the extent of FPI's holding of cash, government securities, T-Bills and similar instruments before the end of the day. The Clearing Member (Custodian) in turn shall report the same to the Clearing Corporation as required in point 1.3.2.2.1.2. 1.3.3.1.2. The Stock Exchange shall monitor the position limits in equity index derivative contracts in the manner specified below: 1.3.3.1.2.1. The FPI/Clients/NRI would be required to notify the names of the Clearing Member/s and Custodian through whom it would clear its derivative trades to Clearing Corporation. 1.3.3.1.2.2. A unique code would be assigned by the Clearing Corporation to each registered FPI intending to trade in derivative contracts. 1.3.3.1.2.3. The FPI would be required to confirm all its positions to the designated Clearing Members online but before the end of each trading day. 1.3.3.1.2.4. The designated Clearing Member/s would at the end of each trading day submit the details of all the confirmed FPI trades to the Clearing Corporation. 1.3.3.1.2.5. Exchanges would compute the total FPI trading exposure and monitor the position limits at the end of each trading day. The cumulative FPI position may be disclosed to the market by the Clearing Corporation on a T+1 basis, before the commencement of trading on the next day. 1.3.3.1.2.6. In the event of an FPI breaching the position limits on any derivative contract on an underlying index, action as specified in 1.3.2.3.6 shall be applicable. 1.3.3.1.3. The open position for index derivative contracts would be valued as the FutEq OI multiplied with the closing price of the respective underlying in the cash market.		1.3.3.1.4 The FPI/Clients/NRI shall report to the Clearing Member (Custodian) the extent of FPI's/Clients/NRI holding of stocks, cash, government securities, T-Bills and similar instruments before the end of the day. The Clearing Member (Custodian) in turn shall report the same to the Exchange. 1.3.3.1.5. The Exchange shall then monitor the position limits in the manner specified below: 1.3.3.1.5.1. The FPI/Clients/NRI would be required to notify the names of the Clearing Member/s and Custodian through whom it would clear its derivative trades to exchanges and their Clearing Corporation. 1.3.3.1.5.2. A unique code would be assigned by the exchanges and / or the Clearing Corporation to each registered FPI intending to trade in derivative contracts. 1.3.3.1.5.3. The FPI would be required to confirm all its positions and the positions of all its sub-accounts to the designated Clearing Members online but before the end of each trading day. 1.3.3.1.5.4. The designated Clearing Member/s would at the end of each trading day submit the details of all the confirmed FPI trades to the derivative Segment of the exchange and their Clearing House / Clearing Corporation. 1.3.3.1.5.5. The exchanges and their Clearing Corporation would then compute the total FPI trading exposure and would monitor the position limits at the end of each trading day. The cumulative FPI position may be disclosed to the market on a T + 1 basis, before the commencement of trading on the next day. 1.3.3.1.5.6. In the event of an FPI breaching the position limits on any derivative contract on an underlying, the FPI would not be permitted by the exchanges and their Clearing Corporation / Clearing Member/s to take any fresh positions in any derivative contracts in that underlying. However, they would be permitted to execute off-setting transactions so as to reduce their open position.	

S.No/ Category	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
			1.3.3.1.6. The position limits would be computed on a gross basis at the level of FPI. 1.3.3.1.7. The open position for all derivative contracts would be valued as the open interest multiplied with the closing price of the respective underlying in the cash market.	
1.3.3.2 Mutual Fund	1.3.3.2.1. The Mutual Fund shall notify the names of the Clearing Member/s for each scheme through whom it would clear its derivative contracts to SE/CC. For the purpose of monitoring of position limits, the Mutual Funds will be considered as trading members like registered FPIs and the schemes of Mutual Funds will be treated as clients.			

1.3.4. **Intra-day monitoring of position limits**[16]

INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
1.3.4.1. In addition to the End of Day monitoring mechanism as stated above, the position limits, for equity index derivative contracts, would also be monitored on an intraday basis. 1.3.4.2. Exchanges shall consider minimum four position snapshots during the day. The number of snapshots may be decided by the respective SEs subject to a minimum of 4 snapshots in a day. The snapshots would be randomly taken during pre-defined time windows. 1.3.4.3. However, there shall be no penalty for breach of existing position limits intraday and such intraday breaches shall not be considered as violations.[17,18] 1.3.4.4. Exchanges shall implement the joint SOP, prepared in consultation with SEBI, to strictly monitor intraday positions and trading activities of major participants from the perspective of market integrity / surveillance concerns and take appropriate measures.		1.3.4.6. Intraday monitoring of MWPL utilization for single stocks: 1.3.4.6.1. To safeguard market integrity and limit settlement risk from intraday spikes in FutEq OI, Stock Exchanges shall perform intraday monitoring of MWPL utilization at least four random times during the trading session to: 1.3.4.6.1.1. take appropriate actions once OI utilization breaches certain limits such as levying Additional Surveillance Margin, monitoring for entity level concentration, additional surveillance checks etc.[17]	

[16] Circular No . SEBI/HO/MRD/TPD-1/P/CIR/2024/132 dated October 01, 2024
[17] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025
[18] Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/41 dated March 28, 2025

INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	1.3.4.5. Entity level intraday monitoring framework for index options[19] 1.3.4.5.1. Intraday Net position limit (FutEq basis) for each entity shall be ₹5,000 cr. (as against end of day limit of ₹1,500 cr). 1.3.4.5.2. Intraday Gross position limit (FutEq basis) for each entity shall be ₹10,000 cr. (i.e. separately both on long and short sides), same as the present end of day limit. 1.3.4.5.3. The aforesaid intraday limits shall continue to be monitored by Stock Exchanges through a minimum of four random snapshots during the trading day (including one snapshot between 14:45 hrs to 15:30 hrs i.e. around market closing time where heightened activity is generally observed). 1.3.4.5.4. Further, in order to monitor the intraday positions of entities, as mentioned aforesaid, the Stock Exchanges shall consider the underlying price at the time of taking positions snapshots. 1.3.4.5.5. Entities shall be allowed to take additional exposure against holding of securities or cash/cash equivalent, as applicable, in line with para 1.3.2.2.1 of this circular. 1.3.4.5.6. For the entities breaching the aforesaid limits, Stock Exchanges shall examine trading patterns of such entities which would inter-alia include seeking rationale for such positions from the clients, examining trading in the	1.3.4.6.1.2. report instances of significant utilization of MWPL / breach of MWPL to SEBI in the fortnightly Surveillance meeting.	

[19] Circular No. SEBI/HO/MRD/TPD/CIR/P/2025/ 122 dated September 01, 2025

INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	constituents of the index by the entity and discussing such instances with SEBI in the surveillance meeting. 1.3.4.5.7. On the day of expiry of options contracts, the breaches of aforesaid position limits shall additionally attract penalty/additional surveillance deposit, as decided jointly by Stock Exchanges. 1.3.4.5.8. The aforesaid framework would facilitate market making activity on all trading days while putting a check on creation of outsized intraday position on the expiry day for orderly trading. 1.3.4.5.9. The aforesaid framework would also provide predictability, operational clarity, and a fair balance between ease of trading and risk management		

1.3.4.7. Exchanges have the responsibility to monitor the position limits. However, exchanges may outsource the work to Clearing Corporations subject to entering into a formal agreement clearly outlining their respective roles, responsibilities and the commercials at arm’s length basis.

1.4. **Corporate Action Adjustments[20]:**

1.4.1. The Exchanges shall determine the manner of corporate action adjustment in derivatives contracts in conformity with the following principles:

1.4.1.1. The basis for any adjustment for corporate action shall be such that the value of the position of the market participants on cum and ex-date for corporate action shall continue to remain the same as far as possible.

1.4.1.2. The exchanges shall take into account best practices followed internationally.

1.4.1.3. The Exchanges shall consider the circumstances of a particular case and the general interest of investors in the market.

[20] Circular no. SMDRP/DC/CIR-8/01 dated June 21, 2001 & SMDRP/DC/CIR-10/01 dated November 02, 2001 & Circular no. SMDRP/DC/CIR-15/02 dated December 18, 2002

1.4.1.4. The Exchanges shall ensure that the adjustment methodology for a corporate action is uniform across all exchanges.

1.4.1.5. Any adjustment for corporate actions shall be carried out on the last day on which a security is traded on a cum basis in the underlying cash market.

1.4.1.6. Adjustments shall mean modifications to positions and/or contract specifications as listed below such that the basic premise of adjustment laid down is satisfied :

1. Strike Price
2. Position
3. Market Lot/Multiplier

1.4.1.7. The adjustments shall be carried out on any or all of the above based on the nature of the corporate action. The adjustments for corporate actions shall be carried out on all open, exercised as well as assigned positions.

1.4.1.8. The corporate actions may be broadly classified under stock benefits and cash benefits. The various stock benefits declared by the issuer of capital are:

1.4.1.8.1. Bonus
1.4.1.8.2. Rights
1.4.1.8.3. Merger/De-merger
1.4.1.8.4. Amalgamation
1.4.1.8.5. Splits
1.4.1.8.6. Consolidations
1.4.1.8.7. Hive-off
1.4.1.8.8. Warrants, and
1.4.1.8.9. Secured Premium Notes (SPNs) among others.
1.4.1.8.10. Extraordinary dividends

1.4.2. The methodology proposed to be followed for adjustment of various corporate actions to be carried out for stock options are as follows:

1.4.2.1. **Bonus, Stock Splits and Consolidations**:

i. **Strike Price**: The new strike price shall be arrived at by dividing the old strike price by the adjustment factor as under.

ii. **Market Lot / Multiplier**: The new market lot/multiplier shall be arrived at by multiplying the old market lot by the adjustment factor as under.

iii. **Position**: The new position shall be arrived at by multiplying the old position by the adjustment factor as under.

iv. The adjustment factor for Bonus, Stock Splits and Consolidations is arrived at as follows:

Bonus:
Ratio – A: B, Adjustment factor: (A+B)/B
Stock Splits and Consolidations:
Ratio – A: B, Adjustment factor: A/B

1.4.2.2. **Rights:**

i. Strike Price: The new strike price shall be arrived at by multiplying the old strike price by the adjustment factor as under.

ii. Market Lot / Multiplier: The new market lot/multiplier shall be arrived at by dividing the old market lot by the adjustment factor as under.

Ratio – A: B
Benefits per share (E) = (P-S) x A / (A+B)
Where P = Spot price on last cum date, S = Issue price of rights
Adjustment factor: (P-E)/P

1.4.2.3. The above methodology may result in fractions due to the corporate action e.g. a bonus ratio of 3:7. With a view to minimizing fraction settlements, the following methodology is proposed to be adopted:

1.4.2.3.1. Compute value of the position before adjustment.

1.4.2.3.2. Compute value of the position taking into account the exact adjustment factor.

1.4.2.3.3. Carry out rounding off for the Strike Price and Market Lot.

1.4.2.3.4. Compute value of the position based on the revised strike price and market lot.

1.4.2.3.5. The difference between 1.4.2.3.1 and 1.4.2.3.4 above, if any, shall be decided by adjusting Strike Price or Market Lot, so that no forced closure of open position is mandated.

1.4.3. The methodology to be followed for adjustment of various corporate actions to be carried out for Stock Futures would be in line with the above mentioned methodology for stock options at para 1.4.2.

1.4.4. Dividends which are below 2% of the market value of the underlying stock would be deemed to be ordinary dividends and no adjustment in the Strike Price would be made for ordinary dividends. For extra-ordinary dividends, at or above 2% of the market value of the underlying stock, the adjustment in derivatives shall be carried out.[21]

1.4.5. The Exchanges may jointly decide the methodology for carrying out adjustments for other corporate actions for stock derivative contracts which shall

[21] Circular No. SEBI/HO/MRD2/MRD2_DCAP/P/CIR/2022/90 dated June 28, 2022

be in conformity with the principles laid down and taking into best practices followed internationally. The detailed methodology including examples for carrying out adjustments for various corporate actions for various derivative contracts shall be displayed on the respective websites.

1.4.6. SEs to give notice of four weeks to the market for any change in the contract specifications and also in case of change in a constituent of an Index on which derivatives are available. Further, the exchanges may give a notice of less than four weeks prior to ex-date in case of change in a constituent of an Index on which derivatives are available on account of merger. In case of stocks ongoing demerger and which are also part of indices on which derivatives are available, the exchange may give a notice of less than 4 weeks from the date of exclusion of spun-off entity from the index.

1.4.7. All the following conditions shall be met in the case of shares of a company undergoing restructuring through any means for eligibility to re-introduce derivative contracts on that company from the first day of listing of the post restructured company/(s)'s (as the case may be) stock (herein referred to as post restructured company) in the underlying market,

1.4.7.1. the futures and options contracts on the stock of the original (pre restructure) company were traded on any exchange prior to its restructuring;

1.4.7.2. the pre restructured company had a market capitalisation of at least Rs.1000 crores prior to its restructuring;

1.4.7.3. the post restructured company would be treated like a new stock and if it is, in the opinion of the exchange, likely to be at least one-third the size of the pre restructuring company in terms of revenues, or assets, or (where appropriate) analyst valuations; and

1.4.7.4. in the opinion of the exchange, the scheme of restructuring does not suggest that the post restructured company would have any characteristic (for example extremely low free float) that would render the company ineligible for derivatives trading,

1.4.8. If the above conditions at para 1.4.7 are satisfied, then the exchange shall take the following course of action in dealing with the existing derivative contracts on the pre-restructured company and introduction of fresh contracts on the post restructured company:

1.4.8.1. In the contract month in which the post restructured company begins to trade, the Exchange shall introduce near month, middle month and far month derivative contracts on the stock of the restructured company.

1.4.8.2. In subsequent contract months, the normal rules for entry and exit of stocks in terms of eligibility requirements would apply. If these tests are not met, the exchange shall not permit further derivative contracts on this stock and future month series shall not be introduced.

1.5. Rationalisation of strike intervals for long dated index options and framework to disable existing long dated strikes[22]

1.5.1. The SEs shall implement the below Strike Scheme framework for long dated options

(i) Long dated index options are defined as 8 semi-annual contracts of the cycle June/December in sequence to 3 serial monthly contracts and 3 quarterly contracts of the cycle March/June/September/December.
The product design for long dated options contracts on the benchmark index allows shall have a minimum of three strikes (in the money, at the money and out of the money). Strike scheme will be minimum of 1 – 1 – 1 and maximum of 5 – 1 – 5 number of strikes.

(ii) In addition to the proposed minimum and maximum number of strikes, the exchanges shall have a minimum percentage-based coverage by the strike intervals and at the same time adhere to the suggested strike scheme. The strike intervals will be designed to ensure a minimum coverage of 5% on either side of the index value.

(iii) The strike scheme may be reviewed on semi-annual basis i.e. in June and December and revisions, if any required, will be implemented on the expiry of the June and December contracts. In case of exceptional market wide movements, all exchanges may jointly review the mechanism. The strikes retained as part of periodic review, would not be included in the calculation of the maximum number of strikes at the time of review/introduction.

(iv) The stock exchanges will individually notify SEBI of their new strike scheme for long dated options based on the above mutually agreed framework.

1.5.2. Policy to conduct periodic review and disable illiquid option contracts outside the strike scheme:

1.5.2.1. SEs are required to conduct periodic review of available strikes in long dated options and disable the illiquid option contracts outside the strike scheme. The review and disablement of illiquid option contracts would be conducted on semi-annual basis on the expiry day of June and December contracts.

1.5.2.2. The detailed process to be followed for disabling the illiquid option contracts will be as follows:

[22] SEBI Email dated May 4, 2020 on Rationalisation of Strikes on Long dated options

1.5.2.2.1. All long dated index option contracts **outside** the applicable strike scheme and with zero open interest will be **disabled**.

1.5.2.2.2. All long dated index option contracts inside the revised strike scheme range **but not as per the revised strike** scheme and with zero open interest will be **disabled**.

1.5.2.2.3. All long dated index option contracts **outside** the revised strike scheme and having open interest will continue to be **available** irrespective of the contract strike.

1.5.2.2.4. All long dated index option contracts inside the revised strike scheme and with zero open interest will continue to be **available.**

2. COMMODITY DERIVATIVES

2.1. Goods notified under SCRA[23]

2.1.1. Ministry of Finance vide notification number S.O.1002(E) dated March 01,2024 has notified list of goods[24] under clause (bc) of Section 2 of SCRA, 1956.As specified in the aforesaid Gazette notification, list of notified goods are at **Annexure 2a** on Goods notified u/s 2(bc) of SCRA.

2.2. Criteria for Eligibility of Derivative Contracts on Commodities [25,26]

2.2.1. The commodities which are to be recommended by SEBI for notification by the Government or on which the stock exchange proposes to launch a contract should pass through some test based upon the objective parameters and upon satisfaction, should be allowed for trading. It is important that the contracts available for trading in the commodity derivatives market are liquid enough for the contracts to trade smoothly.

Eligibility criteria for allowing derivative contracts on commodities: Exchanges shall examine following basic parameters and the commodity may be permitted to be included under derivatives if such commodity satisfies these parameters.

i. **Commodity Fundamentals**

a) Size of the market / Volume of the market**:** The total supply value of the commodity in each year is taken as a measure of the physical market size of that commodity in that year. A higher physical market size could create higher futures trading volume by attracting more hedgers and speculators into the futures market.

b) Homogeneity/Standardization**:** The commodity should be either Homogeneous or should be conducive to standardization. This is required so that participants trading the commodity on exchange platform should be able to unambiguously understand exactly what they are trading as on exchange only standardized contracts can be traded.

[23] Circular No SEBI/HO/CDMRD/DMP/CIR/P/2016/105 dated September 28, 2016
[24] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/13 dated March 05, 2024
[25] Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/6 dated January 20, 2017
[26] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/69 dated May 30,2024

c) Durable / Storable: The commodity should be durable and storable for better price discovery. Durability i.e. higher shelf life makes commodity conducive for storage, which creates opportunity for cash and carry and hence would attract arbitragers thus make it more suitable for derivatives trading.

ii. **Trade Factors**

a) Global: Global market in a commodity could be a positive indicator as internationally linked commodity prices are influenced by various global factors and thus create multiple reference points for price discovery which may make it conducive for derivatives trading.

b) Value chain: The term ‘’value chain’’ describes the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs”, connected along a chain of producing, transforming and bringing goods and services to end-consumers through a sequenced set of activities and a strategic network among a number of business organizations”. Larger is the value chain larger would be the number of participants interested in derivatives trading of such commodity.

c) Geographical coverage: The commodity should ideally have a vast distribution across the country. The coverage can be in the form of production of commodity or the distribution of the commodity across the country. Higher coverage would attract higher number of participants to the derivatives.

iii. **Ease-of- doing-business**

a) Price Control: Price controls are government mandated minimum or maximum prices that can be charged for specified goods. Such goods which are prone to price control may be less conducive for derivatives markets

b) Applicability of other laws: The Essential Commodities Act, 1955, the laws relating to the Agricultural Produce Marketing Committee (“**APMC**”), etc., may have an impact on the commodities to be introduced for derivatives trading. Commodities which have excessive restrictions may be less conducive for derivatives markets.

iv. **Inherent Risk Factors**

a) Correlation with International Market: Commodities which have a strong correlation with the global market have higher need for price risk management. Such commodities are conducive for derivatives trading.
b) Seasonality: The Indian commodity sphere is characterized by seasonality. The derivatives market is necessary to even out fluctuation and facilitate better price discovery. Thus the commodities with higher seasonality are conducive for derivatives trading.
c) Price Volatility: Commodities with high volatility of prices have high need for hedging. Such commodities are conducive for Derivatives trading.

v. In order to bring in uniformity among the SEs, the indicative template (as enclosed at Annexure **2b** on Template on Criteria for Eligibility of Commodity Derivative Products) shall be adopted by them. In this regard the stock exchanges shall decide upon the specific numerical weightages as approved by their oversight committee for 'Product Design'.

vi. The SEs shall also analyze all the proposed commodities on the afore-said parameters comprised in the template and submit the same to SEBI along with necessary supporting documentary evidence for referring the commodity for notification under section 2(bc) of SCRA, 1956.

2.3. Product Advisory Committee (PAC) [27]

2.3.1. Each SE having commodity derivatives segment shall constitute a PAC for each group/complex of commodities having common stakeholders/value chain participants, on which derivatives are traded or being proposed to be traded on the stock exchange.

2.3.2. **Terms of Reference:** The PAC shall be consulted for the following:

i. Contract design on new commodities and review of design of existing contracts, to ensure that contract specifications represent the industry's needs:

a. alignment of quality/quantity specifications of the product with the physical market

[27] Circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/89 dated August 07, 2019

   b. choice of basis and additional delivery centers
   c. appropriate premium/discount for additional deliverable quality/ delivery at additional delivery center, etc.

ii. Discussion on the "State of the Markets for the commodity" at every meeting.
iii. Review of the delivery centres as well as recommendations with respect to modifications of delivery centres.
iv. Review of suggestions/feedback/complaints received by the stock exchange regarding the commodity/contract and action taken thereon.
v. Performance review of the existing contracts on various parameters.
vi. Any other related matter thereof.
vii. Stock Exchange shall have the right to accept, reject or modify any recommendations made to it by the PAC, by recording the reasons thereof.

2.3.3. **Composition**

i. The PAC shall have a balanced representation from amongst the following categories of stakeholders:
   a. Representatives from Trade Associations representing various value chain participants.
   b. Representatives from various Stakeholders and value chain participants such as producers, traders, consumers, Farmers and FPOs / Cooperative societies in case of agricultural commodities, Small & Medium Enterprises ("**SMEs**") / Micro, Small & Medium Enterprises ("**MSMEs**") etc.
   c. Representative(s) from warehousing/ assaying sector.
   d. Independent Expert(s) in the specific commodity group.
   e. Representative(s) from financial sector (such as Financial Institutions, brokers, etc.).
   f. Representative(s) from stock exchange / clearing corporation responsible for specific commodity.

ii. If certain stakeholders are not available for a particular commodity, exemption from satisfying prescribed composition in PAC as per Para 2.3.3(i) shall be sought from the respective PAC Chairman, on a case to case basis.

iii. Each PAC meeting shall be headed by a Chairperson (who shall be an independent person with experience in the specific commodity) selected as such for the meeting based on attendees' choice. PAC shall have an exchange executive as Vice Chairman for administrative coordination/decision.

2.3.4. **Proceeding of meetings**

i. The PAC shall meet at least once a year and more frequently as and when required for both non-agricultural and agricultural commodities[28].

ii. The stock exchange shall prepare the agenda for the meeting based on the views and requirements of value chain participants and also taking into account any suggestions/feedback/complaints received by the stock exchange regarding the commodity/contract.

iii. In the PAC meetings at least 50% members (excluding representative from stock exchange/ clearing corporation) shall be present, including its chairman or vice chairman (acting chairman).

2.3.5. **Disclosure**: For each PAC, the stock exchange shall make following disclosures on its website:

i. Composition of the PAC- Name of the member, Organisation, Sector

ii. Terms and reference of the PAC

iii. The PAC shall be at liberty to publicise agenda items with the prior concurrence of the stock exchange in order to encourage market participants to contribute their point of view.

2.3.6. **Confidentiality and Conflicts of Interest**

i. PAC members must ensure that, unless outside consultation is specifically agreed, all matters discussed and all materials and data made available to them in respect of their Committee-related activities are kept confidential at all times. Exchanges shall formulate a code of conduct to be adhered to as a member of the Committee.

ii. If there is a conflict of interest arising for a member out of any matter proposed to be discussed at a meeting of the PAC or a matter that comes for discussion in the course, in a meeting of the PAC, such member of the PAC must absent himself from discussion on that matter and the minutes of the meeting must record the same.

2.3.7. There should be an annual review of the PAC’s performance by the Regulatory Oversight Committee of the SE.

[28] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2025/087 dated June 12, 2025

2.4. Performance Review of the Commodity Derivatives Contracts[29]

2.4.1. All exchanges shall review the performance of all contracts traded on their platform (as per the parameters illustrated in **Annexure 2c** on Parameters for Performance Review of Commodity Derivative Contract).

2.4.2. The said performance review shall be consulted with the PAC.

2.4.3. The said performance review along with the methodology adopted in evaluation, if any, shall be disclosed by the stock exchanges on their website prominently.

2.4.4. The said performance review shall be conducted on an annual basis for each financial year and shall be disclosed by 30th June of the following financial year.

2.5. General guidelines for Position Limits[30]

2.5.1. The following norms shall be applicable to the agricultural as well as non- agricultural commodity derivatives at commodity level:

i. Numerical value of overall client level open position limits shall be applicable for each commodity as explained subsequently.
ii. The stock exchanges, however, in their own judgment, may prescribe limits lower than what is prescribed by SEBI by giving advance notice to the market.
iii. For the purpose of calculating overall position of a member, the overall position of its all clients (as determined in para 2.5.4) shall be added without netting off among themselves as also against proprietary positions of the member. Thus, all long clients and all short clients shall be added up separately and higher of the two shall be reckoned as Member's open position in a commodity derivative.

2.5.2. Clubbing of Open Positions [28]

i. While calculating open positions for the purpose of position limits, stock exchanges shall take suitable measures for clubbing of open positions of clients/members who may be acting in concert to circumvent the

[29] Circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2020/21 dated February 04,2020

[30] SEBI Circular No SEBI/HO/CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016

norms of position limits. The broad guidelines on this are provided in Annexure 2d on Clubbing of Open Positions.

ii. All stock exchanges shall jointly formulate uniform guidelines and disclose the same to the market.

2.5.3. Monitoring of Position Limits [28]

i. Exchanges shall monitor the open position on a real time basis, and shall endeavour that no client or member breaches the open position limits 'at end of the day' as well as 'during intra-day trading'.

ii. Penalty shall be levied on those breaching the position limits at end of the day as well as during intra-day trading as provided in Annexure 2e on Position Limit Violation.

iii. Exchanges have the responsibility to monitor the position limits. However, exchanges may outsource the work to Clearing Corporations subject to entering into a formal agreement clearly outlining their respective roles, responsibilities and the commercials on arm's length basis.

2.5.4. **Position Limits**

S.No/ Category	**Agricultural Commodity Derivatives**	**Non-Agricultural Commodity Derivatives**
2.5.4.1. Client	2.5.4.1.1. For the purpose of calculating positions of a client, all long and short positions of the client across all contracts shall be added up separately and higher of the two shall be considered as his overall open position. **2.5.4.1.2. Framework for determination of numerical value of overall client level open position limits[31]:** i. **Categorization of commodities**: In any given year, based on the average of production data and import data of past five years on a rolling basis and keeping in view various extraneous factors that affect the trading in derivatives, the agricultural commodities shall be classified into three categories viz., sensitive, broad and narrow as below: - a. **Sensitive commodity**: An agricultural commodity shall be classified as a sensitive commodity if it:	2.5.4.1.3. For the purpose of calculating overall position of a client, all long and short positions of the client across all contracts shall be netted out.[33] 2.5.4.1.4. Client level position limits shall be equivalent to the numerical level limit as given in table in Annexure 2g or 5% of market-wide open interest, whichever is higher.[34] 2.5.4.1.5. FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as

[31] Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017

[33] Circular No SEBI/HO/CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016

<table>
<tr><th>S.No/ Category</th><th>Agricultural Commodity Derivatives</th><th>Non-Agricultural Commodity Derivatives</th></tr>
<tr><td></td><td>
<ol type="i">
is prone to frequent Government / External interventions. These interventions may be in the nature of stock limits, import/export restrictions or any other trade related barriers; or
has observed frequent instances of price manipulation in past five years of derivatives trading

b.Broad Commodity:
An agricultural commodity shall be classified as ‘Broad Commodity’ if it is not ‘Sensitive Commodity’ and satisfies following criteria:
<ol type="i">
Average deliverable supply for past five year is at least 10 lakh Metric Ton (“MT”) in quantitative term and is at least INR 5,000 Crore in monetary term.

c. Narrow Commodity:
An agricultural commodity which is not falling in either of the above two categories, viz ‘Sensitive’ or ‘Broad’ commodity, shall be classified as ‘Narrow Commodity’
ii. Deliverable Supply: The deliverable supply for an agricultural commodity would be “Production + Imports”
iii. Client Level Numeric Position Limits: Numerical Value of overall client level open position limits for each commodity shall be calculated from 'deliverable supply' available in a particular year, as per its category as given below:
<table>
<tr><th>Category of Commodity</th><th>Position limits</th></tr>
<tr><td>Broad</td><td>1% of the deliverable supply</td></tr>
<tr><td>Narrow</td><td>0.5% of the deliverable supply</td></tr>
<tr><td>Sensitive</td><td>0.25% of the deliverable supply</td></tr>
<tr><td colspan="2">The numbers arrived based upon above formula should be rounded off downward to appropriate number of zeroes.</td></tr>
</table>
</td><td>
‘Client and shall be subject to position limit norms as may be applicable to clients.
2.5.4.1.6. FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivative contract.
</td></tr>
</table>

S.No/ Category	Agricultural Commodity Derivatives	Non-Agricultural Commodity Derivatives
	iv. **Yearly Categorization of commodities and computation of position limits:** All exchanges shall jointly classify agricultural commodities into the afore-stated three categories on annual basis as per the principles indicated above. a. Whenever an agricultural commodity of 'narrow' category is required to be re-categorized to 'broad' in subsequent years, such re-categorization may be possible only if both, average deliverable supply of such commodity for the past five years and monetary value thereof as mentioned above for 'broad commodity' exceeds by more than 5%. b. For determination of 'deliverable supply' of various agricultural commodities for each year, the National Commodity Derivatives Exchanges shall take into account the latest production figures of such commodities as annually declared by relevant government sources or from the latest 'third advance estimates' of agricultural commodities published by the Ministry of Agriculture or any other yearly estimates/assessments of production and imports made by any governmental agencies such as Ministry of Agriculture, Ministry of Textiles, Ministry of Commerce, different statutory boards/associations etc., concerned with different agricultural commodities. The National Commodity Derivatives Exchanges shall indicate the sources from which the production and import / export data have been obtained for the purpose of determination of 'deliverable supply' of different agricultural commodities. c. Every year, for each agricultural commodity that is being traded in the derivatives market, all National Commodity Derivatives Exchanges shall jointly complete the exercise of determination of 'deliverable supply, categorization/re-categorization of commodities and computation of numerical value of position limits. Numerical values of position limits for any agricultural commodity shall be revised only if the computation results in a revision in the value by at least 5% compared to previous year's limits. Stock Exchanges shall, notify such details to the market through their respective websites	

S.No/ Category	Agricultural Commodity Derivatives	Non-Agricultural Commodity Derivatives
	sufficiently in advance and latest by 31st of July (unless extended by SEBI under exceptional circumstances) of every year and revised limits shall become applicable for all running contracts with effect from 1st of September of every year **d. Dissemination of Information on Website:** In order to provide necessary information to the stakeholders the Stock Exchanges shall prominently disseminate on their websites the details of five year average deliverable supply, current year deliverable supply, source of data, categorization of the commodity, position limits etc. for each of the commodity traded on their stock exchange, as per the format given in **Annexure 2f** - Format for Dissemination of Information on Website[32].	
2.5.4.2. Trading Member	2.5.4.2.1. The overall member level position limits across all contracts shall be 10 times the numerical value of client level position limit or 15% of the market-wide open interest, whichever is higher.[34]	2.5.4.2.2. Member level position limits shall be 10 times of the numerical value of client level position limits or 20% of the market-wide open interest, whichever is higher.[35]
2.5.4.3. Near Month Position Limits	a. Client level position limits shall be equivalent to the one fourth of the overall Client level position limit as prescribed b. Member level position limits shall also be equivalent to the one fourth of the overall member level position limit. c. For calculating near month open position of a client, higher of long and short positions of the client in near month contracts to be considered. Thus, netting out near month contract with off-setting positions in far months contracts shall not be permitted for the purpose of computation of near month position of any client.[35]	NA

[32] Circular No SEBI/HO/CDMRD/DMP/CIR/P/2018/96 dated June 11, 2018
[34] Circular No SEBI/HO/CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016
[35] Circular no. CDMRD/DMP/CIR/32/2016 dated January 29, 2016

S.No/ Category	Agricultural Commodity Derivatives	Non-Agricultural Commodity Derivatives
	d. For calculating near month open position of a member, the position of the clients as determined in 2.5.4.3(c) above will be added without netting off among themselves as also against proprietary position of the member (which will also be treated like a client position). All longs and shorts will be added up separately and higher of the two will be reckoned.[36]	
2.5.4.4. Exchange-wide Position Limit	The overall Exchange-wide gross position limit on open interests shall be 50% of its 'deliverable supply' determined for the relevant year, which shall also be jointly notified by the stock exchanges along with client level numerical limits.[37]	NA

2.6. Position Limit for Hedgers [38]

2.6.1. In order to facilitate larger participation by genuine hedgers by providing them with necessary incentives with a view to deepen the commodity derivatives market, the stock exchanges shall stipulate a "Hedge Policy" for granting hedge limits to their members and clients. The SEs shall widely publicize their respective hedge policy by holding awareness programmes for the target participants and making it publicly available on their website.

2.6.2. The stock exchanges shall adhere to the following broad guidelines while granting hedge limit exemptions to their members and clients:

i. The hedge limit to be granted by the stock exchanges to the bona fide hedgers shall be in addition to the normal position limit allowed to it. Such hedge limit is non-transferrable and shall be utilized only by the hedger to whom the limit has been granted and not by anyone else.

ii. This hedge limit granted for a commodity derivative shall not be available for the near month contracts of the said commodity from the date of applicability of near month limit.

iii. Hedge limits for a commodity shall be determined on a case to case basis, depending on applicant's hedging requirement in the underlying physical market based upon his/its export or import commitments/ stocks held/ past track record of production or purchase or sales/processing capacity and other factors as the stock exchanges may deem appropriate.

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[36] Circular no. CDMRD/DMP/CIR/32/2016 dated January 29, 2016
[37] Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017
[38] Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/71 dated August 19, 2016

iv. The stock exchanges shall undertake proper due diligence by verifying documentary evidence of the underlying exposure and ensuring that the hedge limit granted is genuine and does not have the potential to disturb the equilibrium of the market of that particular derivative contracts.

v. The hedge limit may also be made available in respect of the short open position acquired by an entity for the purpose of hedging against the stocks of commodities owned by it and,

   a. pledged with the Scheduled Commercial Banks/Co-operative Banks;

   b. lying in any Government Entity's warehouse or warehouse approved by the Warehousing Development and Regulatory Authority ("**WDRA**") Approved warehouses; or

   c. lying in any other premises (warehouse, factory etc.),provided the premises is either owned by the hedger or taken on lease by the hedger in its name and the stock exchange has ascertained that such premises are well equipped with quality control safeguards for storage of the relevant commodity and shall be subject to the production of the relevant Bank Certificate/Warehouse Receipt, as the case may be, and also shall be subject to verification regarding ownership of the stocks etc., by the stock exchange in accordance with the procedure laid down by it in this regard.

vi. At any point of time during the hedge period, hedging positions taken in derivatives contracts by hedger, across multiple stock exchanges/ contracts, shall not exceed his/its actual/anticipated exposure in the physical market, even if there is a usable hedge limit available as per allocation made by the stock exchange to the hedger.

vii. If under any circumstances a hedger is found availing hedge limit in contrary to the guideline framed by the SEBI/stock exchanges or submits false document or fails to inform stock exchange timely about reduction of underlying exposure based upon which it has been allocated hedge limit by the stock exchange, it shall be liable for expulsion from membership/prohibition from trading as the case may be. Such action shall be without prejudice to other disciplinary actions including penalties prescribed by the stock exchanges.

viii. A hedger having availed of benefit of hedge limits, shall preserve relevant records for a period of minimum three years for inspection by SEBI/stock exchange.

ix. The approved hedge limit shall be valid for a period as mentioned in the approval letter and such hedge limit shall stand cancelled automatically upon expiry of such period without any notice.

x. The stock exchanges shall disclose on their website the hedge position allocated to various hedgers, indicating the period for which approval is valid, in an anonymous manner. The disclosure shall be made in the following format as per **Annexure 2h.**

2.7. Participants in Commodity Derivatives Markets

2.7.1. Category III Alternative Investment Funds (AIFs)[39]

i. Category III AIFs may participate in all commodity derivatives products that are being traded on the commodity derivatives exchanges as 'clients' and such participation shall be in compliance with all the rules, regulations including the SEBI (AIF) Regulations, relevant sections of Master Circular for AIFs etc.

ii. AIF shall also comply with guidelines issued by the RBI under Foreign Exchange Management Act, 1999 from time to time.

iii. Category III AIFs shall invest not more than ten percent of the investable funds in one underlying commodity.

iv. Category III AIFs may engage in leverage or borrow subject to consent from the investors in the fund and subject to a maximum limit, as specified by SEBI from time to time.

v. Category III AIFs shall make disclosure in private placement memorandum issued to the investors about investment in commodity derivatives. Consent of existing investor(s) shall be taken by AIFs if they intend to invest in commodity derivatives and exit opportunity should be provided to dissenting investor(s).

2.7.2. Foreign Portfolio Investors (FPIs) [40]

2.7.2.1. Foreign investors are allowed to participate in Indian Exchange Traded Commodity Derivatives ("ETCDs") through the FPI route, subject to conditions prescribed by SEBI.

i. FPIs will be allowed to participate in cash settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.

ii. FPIs desirous of participating in ETCDs shall be subject to risk management measures applicable, from time to time.

iii. Exchanges may specify additional safeguards/conditions, as deemed fit, to manage risk and ensure orderly trading in ETCDs.

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[39] Circular no SEBI/HO/CDMRD/DMP/CIR/P/2017/61 dated June 21, 2017

[40] Circular No. SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131 dated September 29 , 2022

2.7.3. **Portfolio Management Services**

2.7.3.1. Portfolio Managers may participate in ETCDs on behalf of their clients and such participation shall be in compliance with all the rules, regulations including the SEBI (Portfolio Managers) Regulations, and circulars/guidelines and position limit norms as may be applicable to ‘clients’, issued by SEBI and SEs from time to time.

2.7.4. **Mutual Funds**

2.7.4.1. Mutual Funds are permitted to participate in ETCDs except in commodity derivatives on ‘Sensitive Commodities’ and such participation shall be in compliance with all the rules, regulations including SEBI (Mutual Funds) Regulations, relevant sections of Master circular for Mutual Funds etc.

2.8. Product Design in Commodity Derivatives

S.NO / CATEGORY	OPTION IN GOODS[41]	OPTION ON FUTURES[42]
2.8.1 Underlying	2.8.1.1. Goods as notified vide number S.O.1002(E) dated March 01, 2024, under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956.[43]	2.8.1.2. Commodity futures contract (of a specified month) traded on the corresponding SE**.**
2.8.2. Eligibility Criteria for Underlying	2.8.2.1. Only those goods shall be eligible as underlying for these options, on which the exchange either is already trading the futures contracts or is proposing to launch the futures contracts on or before the day of launching option in those goods. These option contracts shall have same quality specifications, delivery centres, Final Settlement Price methodology etc. as in the case of corresponding futures contracts.	2.8.2.2. Options would be permitted for trading on a SE only on those commodity futures as underlying, which are traded on its platform and satisfy the criteria specified below on the respective exchange: (i). The average daily turnover of underlying futures contracts of the corresponding commodity during the previous twelve months, shall be at least: a) INR 100 crore for agricultural and agri-processed commodities[44] b) INR 1000 crore for non-agricultural commodities 2.8.2.3. These provisions shall be applicable for all Options on Futures contracts (agricultural and agri-processed commodities) introduced on or after June 1, 2024 wherein average daily turnover of underlying futures contracts during the previous twelve months is Rs.100 crores.

[41] Circular no SEBI/HO/CDMRD/DMP/CIR/P/2020/05 dated January 16, 2020
[42] Circular no SEBI/HO.CDMRD/DMP/CIR/P/2017/55 dated June 13, 2017
[43] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/13 dated March 05, 2024
[44] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/61dated May 27, 2024

S.NO / CATEGORY	OPTION IN GOODS[41]	OPTION ON FUTURES[42]
2.8.3.Settlement Method	2.8.3.1. On exercise, option contract shall be settled through delivery of goods.	2.8.3.2. On exercise, option position shall devolve into underlying futures position as follows: - i. long call position shall devolve into long position in the underlying futures contract ii. long put position shall devolve into short position in the underlying futures contract iii. short call position shall devolve into short position in the underlying futures contract iv. short put position shall devolve into long position in the underlying futures contract All such devolved futures positions shall be opened at the strike price of the exercised options.
2.8.4. Exercise Style	2.8.4.1. All exercise style are permitted.	2.8.4.2. European Style options are permitted
2.8.5.Minimum Strikes	2.8.5.1. Each option expiry shall have minimum three strikes available viz., one each for In the Money ("ITM"), Out of the Money ("OTM") and At the Money ("ATM").	
2.8.6. Exercise Mechanism	2.8.6.1. On expiry, following mechanism shall be adopted by Stock Exchanges for exercise of the options contracts[45]: i. All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. ii. All Out of the money (OTM) option contracts shall expire worthless. iii. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.	
2.8.7. Expiry Day	2.8.7.1. Exchanges shall have flexibility to decide upon expiry day of option contracts. In case of Options in futures, Exchange shall decide expiry day based upon period of high liquidity of underlying futures contract and shall be part of option contract specifications.	
2.8.8. Minimum Tenor	2.8.8.1. Minimum tenor of such option contracts shall be same as those of corresponding futures contracts.	
2.8.9. Position Limits	2.8.9.1. Position limits for options shall follow the norms as provided in Para 2.5.4. 2.8.9.2. The computation of position limits for 'option in goods' shall be	2.8.9.3. Position limits for options shall follow the same norms as provided for futures.

[45] Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2022/01 dated January 03, 2022.

S.NO / CATEGORY	OPTION IN GOODS[41]	OPTION ON FUTURES[42]
	clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying. Numerical value for client level/member level limits shall be twice of the corresponding numbers applicable for futures contracts.	2.8.9.4. Position limits of options would be separate from position limits of futures contracts and numerical value for client level/member level limits shall be twice of corresponding numbers applicable for futures contracts. 2.8.9.5. Due to separate position limits for options, there is a possibility that post exercise of options i.e. after devolvement of options into corresponding futures positions open positions for clients/members may exceed their permissible position limits for future contracts. For such clients/members stock exchanges may permit maximum up to two trading days post option expiry day to reduce their futures positions to bring them within the permissible position limits.

2.9. Commodity Indices[46]

2.9.1. **Types of Indices**: Composite (i.e., comprising of commodities from more than one sector) as well as sectoral indices, meeting the eligibility criteria specified herein are permitted. For being eligible to launch derivatives upon, SEs shall ensure that indices are compliant with IOSCO Principles for Financial Benchmarks and make necessary disclosures in this regard on their websites. Further, SEs shall also ensure that an index is not susceptible to manipulation and shall make mandatory disclosure with respect to the Index design parameters on their website.

2.9.2. **Name**: The name of index should include the name of the stock exchange on which the constituents of index are traded.

2.9.3. Re-balancing

i. The index constituents and their weightages shall be at least annually selected and rebalanced. Exchanges shall decide and announce/disclose the constituents and weightages of the index at least three months before the actual re-balancing of the index. Exchanges shall ensure that constituents meet the eligibility criteria as mentioned above while deciding the constituents and weightages for rebalancing.

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[46] Circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/71 dated June 18, 2019

ii. However, in case of an extraordinary event such as ban / suspension of trading of an index constituent, following action shall be taken by exchanges-
   a) Reselection of commodities (excluding banned / suspended commodities)
   b) Recalculation of weightage

   Exchanges shall ensure that constituents meet the eligibility criteria as mentioned above.

iii. The index changes shall be implemented only after market hours.

2.9.4. **Weights of constituents**

i. Index constituents shall be assigned weightages based on their production value and liquidity value with appropriate weightages pre-decided by SE for production value and liquidity value (provided that weightage of either shall not be less than 25%). The liquidity value shall be total traded value of the index constituent on the SE platform in the preceding twelve months prior to the construction / announcement of re-balancing of the index. The production value shall be average of the value of deliverable supply of underlying commodity for past five financial years prior to the construction / announcement of re-balancing of the index.

ii. In order to ensure that no single commodity dominates a composite index, maximum weightage for any index constituent in a composite index shall be capped at 30% and minimum weightage shall be at least 1%. However, these weightage caps shall not be applicable for sectoral indices subject to exchanges ensuring that any single constituent does not get heavily weighted in an index.

iii. In case of an index having multiple commodity groups, exchanges may put in place maximum and minimum weightages for a commodity group.

2.9.5. **Computation and roll over**

i. The index value shall ordinarily be computed using the nearest expiry futures prices of the index constituents so that prices of liquid contracts are used for index construction.

ii. Exchange shall put in place a transparent methodology (including the dates of roll over, the various constituents which will be rolled over from nearest to next expiry, weights of nearest and next expiry contracts during each of the roll over day for such constituents etc.) for gradual roll over of the index constituents to next expiry taking into account the liquidity in the underlying nearest /next expiry contracts.

2.9.6. **Real time dissemination**: The index value shall be updated on real time continuous basis and shall be displayed on the Exchange website.

2.9.7. **Dissemination of methodology:** Exchange shall ensure a transparent methodology of index construction, calculation, dates and details of roll over, dates and other details of periodic rebalancing, report on compliance with IOSCO principles etc., and disseminate the same on its website.

2.10. Product Design on Commodity Indices

S.No	**Futures on Commodity Indices**[47]	**Options on Commodity Indices**[48]
2.10.1. Underlying	2.10.1.1 Constituent futures contracts	2.10.1.2. The underlying shall be commodity indices
2.10.2. Eligibility Criteria for Underlying	i. Constituent futures contracts should be in existence on the respective SE for at least previous twelve months. (All constituents shall meet this criterion) ii. The contracts have traded for at least 90% of the trading days during the previous twelve months. (All constituents shall meet this criterion) iii. The average daily turnover of the constituent futures contracts during the previous twelve months is at least: a) INR 75 Crore for agricultural and agri-processed commodities b) INR 500 Crore for all other commodities. (Constituents having at least 80% combined weightage in the index shall meet this criterion and no single constituent not meeting this criterion shall have a weightage of more than 15% in the index) However, the above turnover requirements shall not be applicable for sectoral indices subject to exchanges ensuring that constituent futures have adequate liquidity. Option contracts may be	

[47] Circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/71 dated June 18, 2019
[48] Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2022/34 dated March 24, 2022

S.No		Futures on Commodity Indices[47]	Options on Commodity Indices[48]
		introduced on those indices on which futures contracts are available.	
2.10.3.Size of the Contract		2.10.3.1. At least INR 5 lakh at the time of introduction in the market.	
2.10.4. Tenor of the Contract		2.10.4.1 Maximum tenor of contracts shall be 12 months.	
2.10.5. Available Contracts		2.10.5.1. Exchanges shall decide the number of contracts, duration of contracts and launch calendar based on market requirements.	NA
2.10.6. Position Limits	**Client level**	2.10.6.1. Higher of 5% of the total open interest in the market in commodity index futures or 1000 lots	2.10.6.3. Higher of: 10% of the total open interest in the market in commodity index options Or 2000 lots
	Trading Member level	2.10.6.2. Higher of 15% of the total open interest in the market in commodity index futures or 10000 lots	2.10.6.4. Higher of: 30% of the total open interest in the market in commodity index options Or 20000 lots The computation of position limits for 'options' shall remain separate from position limits of futures contracts on the same underlying
2.10.7. Settlement Mechanism		2.10.7.1. Final Settlement for futures on commodity index shall be done in cash.	2.10.7.2. On exercise, options contract shall be settled in cash.
2.10.8.Exercise Style		NA	2.10.8.1. European style options.
2.10.9. Minimum Strikes		NA	2.10.9.1. Each option expiry shall have minimum three strikes available viz., one each for In the Money ("ITM"), Out of the Money ("OTM") and At the Money ("ATM").
2.10.10.Exercise Mechanism		NA	2.10.10.1. On expiry, following mechanism shall be adopted by stock exchanges for exercise of the options contracts: i. All ITM option contracts shall be exercised automatically, unless 'contrary

S.No	Futures on Commodity Indices[47]	Options on Commodity Indices[48]
		instruction' has been given by long position holders of such contracts for not doing so. ii. All OTM option contracts shall expire worthless. iii. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.
2.10.11. Expiry date	2.10.11.1. Exchanges shall have the flexibility to set the expiry date for contracts. However, the expiry date may not coincide with the roll-over period of the constituents of the underlying index.	

2.11. Contract approval and modifications in commodity derivatives segment

2.11.1. **Permission for Trading in Futures Contracts** [49,50]

2.11.1.1. Check-list of information/details to be submitted along with proposal for launch of new contract**:**

2.11.1.1.1. All derivative contracts approved by SEBI from time to time, are allowed to be traded in respective Stock exchange(s) on a continuous basis without requiring further approval unless SEBI advises/directs otherwise.

2.11.1.1.2. All proposals of exchange for launch of new contract shall be accompanied by complete information covering all the points appended at **Annexure 2i** regarding illustrative Checklist of information/details for launch of new contract. The parameters / items listed in the check-list for compliance are illustrative and not exhaustive. Any additional relevant parameter/information as deemed necessary may also be furnished while sending proposal for contracts.

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[49] Circular No. CIR/CDMRD/DRMP/CIR/2016/88 dated September 20, 2016

[50] Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/69 dated May 30, 2024

2.11.1.2. **Approval for futures contracts** : Approval for futures trading in the commodities approved by SEBI is subject to the following terms and conditions:

i. Exchanges shall launch future contracts with contract specifications including launch calendar as approved by SEBI. Contract specifications and contract launch calendar shall be notified well in advance to the market participants on the website of the Stock Exchange.

ii. Except for the specifications permitted to be modified at stock exchange level, contracts specifications should not be changed without prior approval. For any modification in contract specification, the Stock Exchange(s) shall give prior appropriate notice to the market participants. Once the contracts are commenced, no terms of the contract specifications should be changed without prior approval of SEBI.

iii. Exchanges shall launch a contract within six months of approval by SEBI, failing which the stock exchange shall apply for fresh approval from SEBI for launching the contract.

iv. In case the exchange decides not to launch new contract for trading or to de-list the already running contracts (s) having nil open interest, then SE shall keep SEBI informed with adequate reasons for such decision.

v. The contracts approved for continuous trading in agri-commodities shall continue to follow the lean month expiry policy as laid down and shall be subject to any other directions as may be issued by SEBI from time to time. Also, apart from the approved quality standards, the stock exchange should ensure that the commodity deposited should comply with the regulations laid down by the other authorities like Food Safety Standard Authority of India, Agmark, BIS etc.

2.11.1.3. **Multiple contracts[51]:**

SEs may be allowed to launch multiple contracts in same commodity

[51] Circular No SEBI/HO/MRD/MRD-POD-1/P/CIR/2023/12 dated January 11, 2023

2.12. Modifications in the Contract Specifications of Commodity Derivatives Contracts [52]

2.12.1. **The modifications in contract specification parameters are categorized in following three categories:**

A. **Category A**: Non-material modifications which can be made at stock exchange level in yet to be launched and running contracts.

B. **Category B**: Material modifications which can be made at the stock exchange level in yet to be launched contracts or running contracts which have nil open interest. These modifications shall require approval from Product Advisory Committee and approval of Regulatory Oversight Committee to be obtained post facto.

C. **Category C**: Material modifications which can be made only after approval from SEBI. These modifications shall require deliberations and approval from Product Advisory Committee and Regulatory Oversight Committee before seeking permission from SEBI.

2.12.2. The list of various contract specification parameters as per the above stated categories along with the timelines for advance intimation of modification to SEBI and market participant is given at **Annexure 2j** on Categorization of contract specification parameters in commodity derivatives contracts.

2.12.3. The permission to modify contract specification parameters of commodity derivatives contracts is subject to the condition that before introduction of any modification in contract specifications the stock exchanges shall inform SEBI and market participants along with reasons for the modifications as per the timeline mentioned in Annexure 2j. However, this shall not apply to certain modifications which are required to be effected immediately considering the exigencies of the situation as per surveillance measure.

[52] Circular no. SEBI/HO/CDMRD/DOP/CIR/P/2019/135 dated November 14, 2019.

2.13. Alignment of Trading Lot and Delivery Lot size[53]

2.13.1. Trading Lot Size represents the standard quantity of the underlying commodity corresponding to a single derivatives contract position, i.e. trading can be done only in multiple of the Trading lot size, and

2.13.2. Delivery Lot Size represents the standard quantity of the underlying commodity, in multiple of which delivery is permitted after the expiry of the contract.

2.13.3. Exchanges shall follow the policy of having uniform trading and delivery lot size for the commodity derivatives contracts.

2.13.4. An exception to the above may be provided on case to case basis, subject to the recognized SEs submitting detailed rationale including physical market practices, feedback from stakeholders etc., for keeping different lot size for trading and delivery with respect to any contract, to SEBI for approval.

2.13.5. In such cases exchanges shall put in place an adequate mechanism to ensure that no participant is put to disadvantageous position and that it does not constitute a barrier to delivery or otherwise impedes the physical delivery of the commodity.

[53] Circular No. SEBI/HO/CDMRD/DNPMP/CIR/P/2019/023 dated January 23, 2019

3. CURRENCY DERIVATIVES

3.1. Application for launching currency derivative contract

3.1.1. Before the start of trading in the currency futures/options segment, Stock Exchange shall submit the proposal for approval of the contract to SEBI giving:

3.1.1.1. The details of the proposed currency futures/currency options contract to be traded on the exchange;
3.1.1.2. The economic purposes it is intended to serve;
3.1.1.3. Its likely contribution to market development;
3.1.1.4. The safeguards and the risk protection mechanisms adopted by the exchange to ensure market integrity, protection of investors and smooth and orderly trading;
3.1.1.5. The infrastructure of the exchange and surveillance system to effectively monitor trading in such contracts.

3.2. Product Design[54]

S.NO. / CATEGORY	CURRENCY FUTURES	CURRENCY OPTIONS	CROSS- CURRENCY FUTURES AND OPTIONS
3.2.1. Underlying	3.2.1.1. US Dollar – Indian Rupee (US$-INR), Euro-Indian Rupee (EUR-INR), Pound Sterling – Indian Rupee (GBP-INR) and Japanese Yen – Indian Rupee (JPY-INR)	3.2.1.2. US Dollar – Indian Rupee (US$-INR) spot rate Euro-Indian Rupee (EUR-INR) spot rate Pound Sterling – Indian Rupee (GBP-INR) spot rate and Japanese Yen – Indian Rupee (JPY-INR) spot rate.	3.2.1.3. Euro - US Dollar spot rate (EUR-USD), Pound Sterling – US Dollar spot rate (GBP-USD), US Dollar – Japanese Yen spot rate (USD-JPY)
3.2.2. Size of the contract	3.2.2.1. The minimum contract size of the currency futures/ options contract at the time of introduction would be US$ 1000, EUR 1000, Pound Sterling 1000 and Japanese Yen 1,00,000 for the US Dollar – Indian Rupee (US$-INR), Euro-Indian Rupee (EUR-INR), Pound Sterling – Indian Rupee (GBP-INR) and Japanese Yen – Indian Rupee (JPY-INR) respectively. The contract size would be periodically aligned to ensure that the size of the contract remains close to the minimum size.		3.2.2.2. The minimum contract size of the currency futures contract at the time of introduction would be EUR 1000, GBP 1000 and USD1000 for the Euro – US Dollar (EUR-US$), Pound Sterling-US Dollar (GBP-US$) and US Dollar-Japanese Yen (US$-JPY) respectively. The contract size would be periodically aligned to ensure that the size of the contract remains close to the minimum size.

[54] Circular SEBI/HO/MRD/DP/CIR/P/2016/0000000038 dated March 09, 2016

S.NO. / CATEGORY	CURRENCY FUTURES	CURRENCY OPTIONS	CROSS- CURRENCY FUTURES AND OPTIONS
3.2.3. Quotation	3.2.3.1. The currency futures contract/ Premium would be quoted in rupee terms. However, the outstanding positions would be in Dollar, Euro, Pound Sterling and Japanese Yen terms for the US Dollar – Indian Rupee (USD-INR), Euro-Indian Rupee (EUR-INR), Pound Sterling – Indian Rupee (GBP-INR) and Japanese Yen – Indian Rupee (JPY-INR) contracts respectively		3.2.3.2. The cross currency contracts would be quoted in US Dollar terms for the Euro – US Dollar (EUR-US$) and the Pound Sterling-US Dollar (GBP-US$) contracts, while it would be quoted in Japanese Yen terms for the US Dollar-Japanese Yen (US$-JPY) contracts. The outstanding positions would be in Euro and Pound Sterling for the Euro – US Dollar (EUR-US$) and the Pound Sterling-US Dollar (GBP-US$) contracts and in US Dollar for US Dollar-Japanese Yen (US$-JPY) contracts respectively.
3.2.4. Tenor of the contract	3.2.4.1. The currency/cross currency futures/options contract shall have a maximum maturity of 12 months.		
3.2.5. Available contracts	3.2.5.1. All monthly maturities from 1 to 12 months would be made available.	3.2.5.2. Three serial monthly contracts followed by three quarterly contracts of the cycle March/June/September/December.	3.2.5.3. For Futures contracts: Twelve (12) serial monthly contracts. 3.2.5.4. For Options contracts (Premium styled European Call and Put Options): Three (3) serial monthly contracts followed by three (3) quarterly contracts of the cycle March / June / September/ December.
3.2.6. Strike Price of option contracts	NA	3.2.6.1. Minimum of three in-the-money, three out-of-the-money and one near-the-money strikes would be provided for all available contracts.	3.2.6.2. Minimum of three (3) in-the-money, three (3) out-of the-money and one (1) near-the-money strikes shall be provided for all available contracts in case of Cross currency options.
3.2.7. Settlement mechanism	3.2.7.1. The currency derivatives contracts shall be settled in cash in Indian Rupee. Daily settlement shall be on T+1 basis and the Final Settlement shall be on T+2 basis.		
3.2.8. Last Trading day	3.2.8.1. The last day for trading of the contract shall be two working days prior to the final settlement day. In case of cross-currency futures and options the last trading day of the contracts shall be two working days prior to the final settlement day at 12:30 PM. If any last trading day is a trading holiday, then the last trading day shall be the previous trading day.		
3.2.9. Final settlement day.	3.2.9.1. The contract would settle on the last working day (excluding Saturdays) of the month. The last working day would be taken to be the same as that for Interbank Settlements in Mumbai. The rules for Interbank Settlements, including those for 'known holidays' and 'subsequently declared holiday' would be those as laid down by FEDAI.		

S.NO. / CATEGORY	CURRENCY FUTURES	CURRENCY OPTIONS	CROSS- CURRENCY FUTURES AND OPTIONS
3.2.10. Exercise at Expiry	NA	3.2.10.1. **Only for options** : On expiry date, all open long in-the-money option contracts, on a particular strike of a series, at the close of trading hours would be automatically exercised at the final settlement price and assigned on a random basis to the open short positions of the same strike and series.	
3.2.11. Daily Settlement price	3.2.11.1. The daily settlement price of cross-currency derivatives contracts shall be the last half an hour volume weighted average price of the contract. 3.2.11.2. In the absence of last half an hour trading, the daily settlement price shall be the theoretical price as calculated by the stock exchange. Stock exchanges shall be required to disclose the model / methodology used for arriving at the theoretical price.	3.2.11.3. The daily settlement price of cross-currency derivatives contracts shall be the last half an hour volume weighted average price of the contract. 3.2.11.4. In the absence of last half an hour trading, the daily settlement price shall be the theoretical price as calculated by the stock exchange. Stock exchanges shall be required to disclose the model / methodology used for arriving at the theoretical price. 3.2.11.5. For arriving at the settlement value in INR for EUR-USD and GBP-USD contracts, the latest available RBI reference rate for USD-INR shall be used. For USD-JPY contracts, the settlement value in INR shall be arrived at using the latest available exchange rate published by RBI for JPY-INR.	
3.2.12. Final Settlement price	3.2.12.1. The settlement price would be the Reserve Bank Reference Rate on the date of expiry for US$ and Euro and Exchange rate published by the Reserve Bank in its Press Release captioned - RBI Reference Rate for US$ and Euro for Pound Sterling and Japanese Yen. The methodology of computation and dissemination of the Reference Rate may be as publicly disclosed by RBI.	3.2.12.2. The final settlement price of the cross-currency derivatives contracts shall be computed using the RBI reference rate for USD-INR and the corresponding exchange rate published by RBI for EUR-INR, GBP-INR and JPY-INR, as applicable, on the last trading day of the contract. 3.2.12.3. For arriving at the final settlement value in INR for EUR-USD and GBP-USD contracts, the RBI reference rate for USD-INR on the last trading day of the contract shall be used. For USD-JPY contracts, the final settlement value in INR shall be arrived at using the exchange rate published by RBI for JPY-INR on the last trading day of the contract.	

3.3. **Participants in Currency Derivatives segment.**

3.3.1. Stock brokers, Domestic Institutional Investors, FPIs, NRIs and Clients, are allowed to take positions in the exchange traded currency derivative contracts subject to terms and conditions mentioned in this circular and the relevant directions issued by RBI from time to time.

3.3.1.1. Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular no. 30 dated February 02, 2017(latest RBI directions may be referred to) has permitted Non Resident Indians (NRIs) to participate in the exchange traded currency derivatives market to hedge the currency risk arising out of their investments in India under FEMA, 1999 (latest FEMA directions may be referred to).[55]

3.3.1.2. NRIs are permitted to trade in the currency derivatives segment of stock exchanges, subject to terms and conditions mentioned in the aforesaid RBI circular, directions issued by RBI from time to time and this circular.

3.3.1.3. NRIs shall take position in the currency derivatives segment of a recognised stock exchange as specified in the para 3.4.1.2.3. subject to the following conditions:

3.3.1.3.1. NRIs shall designate an Authorised Dealer Category-I bank who is also a clearing member of the clearing corporation for the purpose of monitoring and reporting their combined positions in the OTC and ETCD segments.

3.3.1.3.2. NRIs may take positions in the currency futures / exchange traded options market to hedge the currency risk on the market value of their permissible (under FEMA, 1999, latest FEMA directions may be referred to) Rupee investments in debt and equity and dividend due and balances held in NRE accounts**.**

3.3.1.3.3. The onus of complying with the relevant provisions of the RBI A.P. (DIR Series) Circular no. 30 dated February 02, 2017 (latest RBI Master direction on Risk Management and Inter-Bank Dealings may be referred to) shall rest with the NRI and in case of any contravention, the NRI shall render itself liable to any action that may be warranted by RBI as per the provisions of Foreign Exchange Management Act (FEMA), 1999 (latest FEMA directions may be referred to).

3.3.1.4. The exchange shall provide details of all transactions of the NRIs to the designated bank to enable monitoring of positions of NRIs as per the provisions of the RBI A.P. (DIR Series) Circular no. 30 dated February 02, 2017 (latest RBI Master direction on Risk Management and Inter-Bank Dealings may be referred to).

3.3.1.5. To enable Banks to become Clearing Member and/or Trading Member of the Currency Derivatives Segment of an Exchange, an Exchange shall amend its bye-laws, as under:

"Any bank, included in the Second Schedule to the Reserve Bank of India Act, 1934, and specifically authorized by RBI for this purpose,

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[55] Circular No. SEBI/HO/MRD/DP/CIR/P/2017/63 dated June 28, 2017

a. is eligible to become Clearing Member and/or Trading Member of the Currency Derivatives Segment of an Exchange, on the recommendation of the governing body of the Exchange.

b. such bank can act as member for their proprietary dealings, to act on their own account, in the Currency Derivatives Segment of the Exchange.

c. such bank can also act as member or an agent for any other person, client or customer in the Currency Derivatives Segment of an Exchange.

d. such bank shall abide by circulars and directions issued by RBI and SEBI in respect of dealing of such banks in the Exchange."

3.4. Surveillance

3.4.1. Position limits for Currency Derivatives

3.4.1.1. Exchanges have the responsibility to monitor the position limits. However, exchanges may outsource the work to Clearing Corporations subject to entering into a formal agreement clearly outlining their respective roles, responsibilities and the commercials on arm's length basis.

3.4.1.2. The following position limits would be applicable in the currency derivatives market. Eligible market participants are allowed to take positions in the exchange traded cross-currency futures and options contracts without having to establish underlying exposure subject to the position limits as prescribed.

S.No/ Category	Currency Pair	CURRENCY FUTURES & CURRENCY OPTIONS	CROSS CURRENCY FUTURES AND OPTIONS
3.4.1.2.1 Stock Brokers (bank and non-bank), Domestic Institutions, AD Category-1 banks (for cross currency futures and options)	USD-INR	3.4.1.2.1.1. Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher. 3.4.1.2.1.2. However, for bank stock brokers, authorized by RBI, the gross open position across all contracts shall not exceed 15% of the total open interest or USD 1 billion, whichever is higher. [56]	NA
	EUR-INR	3.4.1.2.1.3. Gross open position across all contracts shall not	NA

[56] Circular CIR/MRD/DP/02/2016 dated January 15, 2016

S.No/ Category	Currency Pair	CURRENCY FUTURES & CURRENCY OPTIONS	CROSS CURRENCY FUTURES AND OPTIONS
		exceed 15% of the total open interest or EUR 50 million, whichever is higher.	
	GBP-INR	3.4.1.2.1.4. Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.	NA
	JPY-INR	3.4.1.2.1.5. Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.	NA
	EUR-USD	NA	3.4.1.2.1.6. Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.
	GBP-USD	NA	3.4.1.2.1.7. Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.
	USD-JPY	NA	3.4.1.2.1.8. Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.
	Position limits stated above shall be the total limits available to the stock brokers for taking positions on proprietary basis and for positions of their clients.		
3.4.1.2.2. FPIs (Category I and II FPIs other than individuals, family offices and corporates)	3.4.1.2.2.1. The gross open positions of the FPIs across all contracts in the respective currency pairs shall not exceed the limits as mentioned below: 3.4.1.2.2.2. For the purpose of computing the FPI level gross open position, Long position shall be considered as Long Futures, Long Calls, and Short Puts and Short Position shall be considered as Short Futures, Short Calls, and Long Puts. 3.4.1.2.2.3. FPIs are allowed to take positions in the exchange traded cross-currency futures and option contracts in the EUR-USD, GBP-USD and USD-JPY currency pairs and exchange traded currency option contracts in EUR-INR, GBP-INR and JPY-INR currency pairs, subject to terms and conditions as mentioned in this circular.		

S.No/ Category	Currency Pair	CURRENCY FUTURES & CURRENCY OPTIONS	CROSS CURRENCY FUTURES AND OPTIONS
	USD-INR	3.4.1.2.2.4. Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.	NA
	EUR-INR	3.4.1.2.2.5. Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.	NA
	GBP-INR	3.4.1.2.2.6. Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.	NA
	JPY-INR	3.4.1.2.2.7. Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.	NA
	EUR-USD	NA	3.4.1.2.2.8. Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.
	GBP-USD	NA	3.4.1.2.2.9. Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.
	USD-JPY	NA	3.4.1.2.2.10. Gross open position across all contracts shall not exceed15% of the total open interest or USD 100 million, whichever is higher.
3.4.1.2.3. i. Position limits for Clients (per stock	USD-INR	3.4.1.2.3.1. Gross open position across all contracts shall not exceed 6% of the total open interest or USD 20 million, whichever is higher.	NA

<table>
<tr><th>S.No/ Category</th><th>Currency Pair</th><th>CURRENCY FUTURES & CURRENCY OPTIONS</th><th>CROSS CURRENCY FUTURES AND OPTIONS</th></tr>
<tr><td rowspan="6">exchange)57, NRIs (Only for Currency futures and options) , and
ii. Category II FPIs that are individuals, family offices, corporates.</td><td>EUR-INR</td><td>3.4.1.2.3.2. Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 10 million, whichever is higher.</td><td>NA</td></tr>
<tr><td>GBP-INR</td><td>3.4.1.2.3.3. Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 10 million, whichever is higher.</td><td>NA</td></tr>
<tr><td>JPY-INR</td><td>3.4.1.2.3.4. Gross open position across all contracts shall not exceed 6% of the total open interest or JPY 400 million, whichever is higher.</td><td>NA</td></tr>
<tr><td>EUR-USD</td><td>NA</td><td>3.4.1.2.3.5. Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 10 million, whichever is higher</td></tr>
<tr><td>GBP-USD</td><td>NA</td><td>3.4.1.2.3.6. Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 10 million, whichever is higher.</td></tr>
<tr><td>USD-JPY</td><td>NA</td><td>3.4.1.2.3.7. Gross open position across all contracts shall not exceed 6% of the total open interest or USD 10 million, whichever is higher.</td></tr>
<tr><td>3.4.1.2.4. Proprietary positions of stock brokers[58]</td><td colspan="2">3.4.1.2.4.1 The Stock Brokers (bank and non-bank) shall ensure that all proprietary positions created in FCY-INR pairs(USD-INR, EUR-INR, GBP-INR and JPY-INR) is within the following consolidated position limits:

<table><tr><th>Single INR limit for proprietary position for bank stock brokers</th><th>Single INR limit for proprietary position for non-bank stock brokers</th></tr><tr><td>Higher of 15% of Total OI across all</td><td>Higher of 15%of Total OI across all FCY-</td></tr></table></td><td>3.4.1.2.4.3. For Non-bank stock brokers:[59]

<u>3.4.1.2.4.3.1. EUR-USD</u>:
Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.

<u>3.4.1.2.4.3.2. GBP-USD:</u>
Gross open position across all contracts shall not exceed 15% of the</td></tr>
</table>

57 Circular No. SEBI/HO/MRD2_DCAP/P/CIR/2021/626 dated September 07, 2021
58 Circular no. SEBI/HO/MRD/DP/CIR/P/2017/102 dated September 13, 2017
59 Circular no. SEBI/HO/MRD/DP/CIR/P/2016/038 dated March 09, 2016, June 20, 2014 and April 08, 2015

S.No/ Category	Currency Pair	CURRENCY FUTURES & CURRENCY OPTIONS	CROSS CURRENCY FUTURES AND OPTIONS
		FCY-INR pairs or USD 200 million. / INR pairs or USD 100 million. 3.4.1.2.4.2. Exchanges, in consultation with each other, shall implement a uniform methodology for computing and monitoring of the aforementioned proprietary positions limits in INR.	total open interest or GBP 50 million, whichever is higher. **3.4.1.2.4.3.3. USD-JPY:** Gross open position across all contracts shall not exceed 15% of the total open interest or USD 50 million, whichever is higher.
3.4.1.2.5. Clearing Member Level	3.4.1.2.5.1. No separate position limit is specified at the level of clearing member. However, the clearing member shall ensure that its own trading position and the positions of each trading member clearing through it is within the limits specified above.		

3.4.1.3. Exchanges shall impose appropriate penalties for violation of position limits by stock brokers / FPIs / domestic clients.

3.4.1.4. With the view to ease trading requirements in the currency derivatives segment, it is clarified that the position limit linked to open interest shall be applicable at the time of opening a position. Such positions shall not be required to be unwound in the event of a drop of total open interest in a currency pair at the stock exchange.[60]

3.4.1.5. However, in the aforementioned scenario, the eligible market participants shall not be allowed to increase their existing positions or

3.4.1.6. create new positions in the currency pair till they comply with the applicable position limits.

3.4.1.7. Notwithstanding the above, in view of risk management or surveillance concerns with regard to such positions of the market participants, exchanges may direct the market participants to bring down their positions to comply with the applicable position limits within the time period prescribed by the exchange.

3.4.1.8.1.

3.4.1.8. **Limits for FPIs and Domestic Clients based on Underlying Exposure[61] (Currency Futures)**

Domestic clients / Foreign Portfolio Investors (FPIs) may take long or short positions without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent, across all currency pairs involving INR, put together, and combined across all the stock exchanges.

[60] Circular no. SEBI/HO/MRD/DP/CIR/P/2016/60 dated June 22, 2016
[61] Circular no. SEBI/HO/MRD/DP/CIR/P/2018/50 dated March 15, 2018

FPIs shall ensure that their short positions at all stock exchanges across all contracts in FCY-INR pairs do not exceed USD 100 million. In the event a FPI breaches the short position limit, stock exchanges shall restrict the FPI from increasing its existing short positions or creating new short positions in the currency pair till such time FPI
3.4.1.8.2. complies with the said requirement.

To take long positions in excess of USD 100 million in all contracts in
3.4.1.8.3. FCY-INR pairs, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds.

3.4.1.8.4. Domestic clients may take positions in excess of USD 100 million in in all contracts in FCY-INR pairs, subject to the conditions specified in the RBI A.P. (DIR Series) Circular no. dated June 20, 2014 and
3.4.1.8.5. RBI A.P. (DIR Series) Circular no. 90 dated March 31, 2015 (latest RBI Master direction on Risk Management and Inter-Bank Dealings may be referred to).

The onus of complying with the provisions of the RBI A.P. (DIR
3.4.1.8.6. series) Circular no. 18 dated February 26, 2018 (latest RBI Master direction on Risk Management and Inter-Bank Dealings may be referred to), shall rest with the client / FPI and in case of any contravention, the client shall render itself liable to any action that may be warranted by RBI as per the provisions of Foreign Exchange Management Act, 1999 (latest FEMA directions may be referred to) and Regulations, Directions, etc. framed thereunder. These limits shall be monitored by stock exchanges and breaches, if any, shall be reported to the Market Surveillance Team of Financial Markets Regulation Department (FMRD), RBI. In this regard, stock exchanges shall devise a suitable mechanism to monitor the
3.4.1.8.7. aforesaid limits, subject to appropriate regulatory concurrence.

With regard to enabling monitoring of positions of FPIs as per the provisions of the RBI A.P. (DIR Series) Circular no. 148 dated June 20, 2014 and Circular no. 91 dated March 31, 2015 (latest RBI Master direction on Risk Management and Inter-Bank Dealings may be referred to), the following shall be implemented by the Exchanges and the custodians of securities of the FPIs:

3.4.1.8.7.1. The Exchanges shall provide details on the FPI's day-end and day's highest open positions at end of day to the custodians of securities of the FPI.

3.4.1.8.7.2. The custodian of securities of the FPI shall aggregate the positions taken by the FPI on the currency derivatives segments of all the stock exchanges and forward such details to the designated bank of the FPI as defined at regulation 2(1)(h) of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019. The custodian of securities of the FPI shall also provide the market value of applicable underlying exposure of the FPI to the designated bank of the FPI.

4. INTEREST RATE DERIVATIVES

4.1. **Product Design**

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
4.1.1. Underlying	4.1.1.1. 10-Year Notional Coupon-bearing Government of India (GoI) security	4.1.1.2. 91-day GOI T-Bill	4.1.1.3. Notional coupon bearing 2-year GoI security	4.1.1.4. Notional coupon bearing 5-year GoI security
4.1.2. Coupon	4.1.2.1. The notional coupon would be 7% with semi-annual compounding.	--	4.1.2.2. Notional coupon of 7% paid semi-annually and face value of Rs. 100.	
4.1.3. Size of the Contract		Rs. 2 lakh.		
4.1.4. Quotation	4.1.4.1. The Quotation would be similar to the quoted price of the GoI security.	4.1.4.2. 100 minus futures discount yield (i.e. for a yield of 5% the quote would be 100-5=95). The value of 1 basis point change in the futures discount yield would be Rs. 5.	4.1.4.3. The Quotation would be similar to the quoted price of the GoI security	
4.1.5. Day count convention	4.1.5.1. The day count convention for interest payments would be on the basis of a 360-day year, consisting of 12 months of 30 days each and half yearly coupon payment.	4.1.5.2. The day count convention for interest payments would be on the basis of a 365-day year.	4.1.5.3. The day count convention for interest payments would be on the basis of a 360-day year.	
4.1.6. Tenor of the Contract	4.1.6.1. The maximum maturity of the contract would be 12 months.			
4.1.7.	4.1.7.1. Four fixed quarterly contracts for entire year, expiring in March, June, September and December.	4.1.7.2. Three serial monthly	4.1.7.3. Three serial monthly contracts can be introduced	

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
Available Contracts		contracts followed by three quarterly contracts of the cycle March/June/September/December.		
4.1.8. Delivery Month and Delivery Period	4.1.8.1. The delivery month shall be the last month of the expiring contract, i.e., March, June, September and December Exchanges to set any period of time during the delivery month as the delivery period for the deliverable grade securities.	4.1.8.2. Not Applicable as Cash settled.		
4.1.9. Deliverable Grade Securities	4.1.9.1. Exchanges shall select their own basket of securities from the eligible Deliverable Grade Securities, viz., GoI securities maturing at least 7.5 years but not more than 15 years from the first day of the delivery month with a minimum total outstanding stock of Rs 10,000 crore. 4.1.9.2. Exchanges shall disclose upfront to the market participants the composition of the basket of deliverable grade securities and the associated conversion factors for each of the quarterly contracts. To the basket of deliverable grade securities disclosed upfront by the Exchange for each of the quarterly contracts, additions, if any, shall be made not later than 10 business days before the first business day of the delivery month.	4.1.9.3. Not Applicable as Cash settled.		
4.1.10. Conversion Factor	4.1.10.1. The Conversion Factor for deliverable grade security would be equal to the price of the deliverable security (per rupee of the principal), on the first day (calendar day) of the delivery month, to yield 7% with semiannual compounding. 4.1.10.2. For deliveries into 10-Year Notional Coupon-bearing GoI security futures, the deliverable security's remaining term to maturity shall be calculated in complete three-month quarters, always rounded down to the nearest quarter. If, after rounding, the	NA		

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
	deliverable security lasts for an exact number of 6-month periods, the first coupon shall be assumed to be paid after 6 months. If, after rounding, the deliverable security does not last for an exact number of 6-month periods (i.e. there are an extra 3 months), the first coupon would be assumed to be paid after 3 months and accrued interest would be subtracted.			
4.1.11. Last Trading day / Expiry Day	4.1.11.1. Exchange to set any day of the delivery month as last trading day.	4.1.11.2. The expiry / last trading day / final settlement day for the contract would be the last Wednesday of the expiry month.	4.1.11.3. The expiry / last trading day for the contract would be the last Thursday of the expiry month.	
4.1.11.4. If any expiry day is a trading holiday, then the expiry /last trading day would be the previous trading day.				
4.1.12. Last Delivery Day	4.1.12.1. Last business day of the delivery month.	NA	NA	NA
4.1.13. Daily Settlement Price and Final settlement price.	4.1.13.1. The Daily Settlement Price would be the closing price of the 10-year Notional Coupon-bearing GoI security futures contract on the trading day. (Closing price = Weighted Average price of the futures for last half an hour). In the absence of last half an hour trading the theoretical price, to be determined by the exchanges, would be considered as Daily Settlement Price. The daily settlement price (DSP) shall be determined in the following manner: **4.1.13.2. Step 1**: The DSP is the volume weighted average price (VWAP) of the trades in the last 30 minute of trading, provided there are at least 5 trades for a minimum	**4.1.13.6. Daily Contract Settlement value**[63] Rs. 2000 * (100 – 0.25 * yw) (Here yw is weighted average futures yield of last half an hour). In the absence of last half an hour trading, theoretical futures yield would be	**4.1.13.8. Daily Contract Settlement Value** = 2000 * Pw (Here Pw is weighted average futures quote of last half an hour). In the absence of last half an hour trading, theoretical futures price would be considered for computation of Daily Contract Settlement Value. Exchanges would be required to disclose the model/methodology used for arriving at the theoretical price.	

[63] Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2018/27 dated February 20, 2018

<table>
<tr><th>S.No/ Category</th><th>INTEREST RATE FUTURES on 10-Year GoI Security</th><th>INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)</th><th>INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security</th><th>INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security</th></tr>
<tr><td></td><td>aggregate notional value of Rs. 10 crore. Failing which, trades during the last 60 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore. Failing which trades during the last 120 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore.

4.1.13.3. Step 2: If the DSP cannot be calculated as above, a theoretical price shall be used. This theoretical price shall be the minimum of the theoretical futures prices of all the securities in the delivery basket chosen by the Exchange. The theoretical futures price of each security is the weighted average cash price of outright trades of that security during the day on the NDS Order Matching platform, adjusted for cost of carry, subject to at least 5 trades for Rs.10 crore. If there are not enough trades as required above or there is a material market event during the trading hours, the theoretical futures price of each security shall be the FIMMDA / PDAI / Bloomberg revaluation price(s) (published on the FIMMDA website on a daily basis), adjusted for cost of carry. The cost of carry shall be computed for the period up to the last business day of the delivery month.

4.1.13.4. If, however, the near quarter contract is liquid (5 trades for Rs. 10 crore during the last 30 minutes, 60 minutes or 120 minutes, as the case may be), the VWAP of the near quarter contract shall be adjusted for cost of carry to arrive at the theoretical price for subsequent quarter contracts. Further, if near quarter contract is illiquid while the next quarter contract is liquid, then the VWAP of the nearest liquid</td><td>considered for computation of Daily Contract Settlement Value.

4.1.13.7. Final contract Settlement value: Rs. 2000 * (100 – 0.25 * yf) (Here yf is weighted average discount yield obtained from weekly auction of 91-day T-Bill on the day of expiry). The methodology of computation and dissemination of the weighted average discount yield would be as publicly disclosed by RBI.</td><td colspan="2">4.1.13.9. Final Contract Settlement Value
= 2000 * Pf where Pf is the settlement price of the notional bond.</td></tr>
</table>

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
	quarter contract shall be used to derive the prices of the illiquid previous as well as the subsequent quarter contracts. 4.1.13.5. **Daily Contract Settlement Value** [62] 4.1.13.5.1. The Daily Contract Settlement Value shall be = Pw*2000 (Here Pw is volume weighted average futures price of last half an hour). 4.1.13.5.2. In the absence of last half an hour trading, theoretical futures price shall be considered for computation of Daily Contract Settlement Value. 4.1.13.5.3. For computing theoretical futures price, volume weighted average price of underlying bond in last two hours of trading on NDS-OM shall be considered. In case, there are no trades in the last two hours of trading on NDS-OM, either of the following shall be considered: A theoretical price with reference to FIMMDA rates shall be used OR a. The volume weighted average price of underlying bond in the entire day shall be considered. b. In case there are no trades in the entire day on NDS-OM, then the previous day's theoretical price shall be considered. The same can be considered up to maximum 5 trading days. c. If case there are no trades for more than 5 consecutive days, then a theoretical price with reference to FIMMDA rates shall be used. 4.1.13.5.4. Exchanges shall be required to disclose the			

[62] Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2018/27 dated February 20, 2018

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91-Day GoI Treasury-Bill (T-Bill)	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
	model/methodology used for arriving at the theoretical price. 4.1.13.5.5. The cost of carry for the above purpose shall include the financing cost @ 91-day Treasury bill rate and the coupon of the particular security. The exchanges will be required to disclose the model/methodology used for arriving at the theoretical price.			

4.2. **Position Limits**

S.No/ Category	INTEREST RATE FUTURES on 10-Year GoI Security	INTEREST RATE FUTURES on 91 Day GoI T-Bill	INTEREST RATE FUTURES on 2 Year Notional Coupon Bearing GOI security	INTEREST RATE FUTURES on 5 Year Notional Coupon Bearing GOI security
4.2.1. Client level	4.2.1.1. The gross open positions of the client across all contracts should not exceed 6% of the total open interest or Rs 300 crores whichever is higher. The Exchange will disseminate alerts whenever the gross open position of the client exceeds 3% of the total open interest at the end of the previous day's trade.			
4.2.2. Trading Member level	4.2.2.1. The gross open positions of the trading member across all contracts should not exceed 15% of the total open interest or Rs. 1000 crores whichever is higher.			
4.2.3. Clearing Member level	4.2.3.1. No separate position limit is prescribed at the level of clearing member. However, the clearing member shall ensure that its own trading position and the positions of each trading member clearing through it is within the limits specified above.			
4.2.4. FPIs	4.2.4.1. In case of Foreign Portfolio Investors registered with SEBI the total gross long (bought) position in cash and Interest Rate Futures markets taken together should not exceed their individual permissible limit for investment in government securities and the total gross short (sold) position, for the purpose of hedging only, should not exceed their long position in the government securities and in Interest Rate Futures, at any point in time.			

4.2.5. With a view to ease trading requirements in the Interest Rate Futures[64] contracts, it is clarified that the position limit linked to open interest shall be applicable at the time of opening a position. Such positions shall not be required

[64] Circular no. SEBI/HO/MRD/DRMNP/CIR/P/2017/32 dated April 18, 2017

to be unwound immediately by the market participants in the event of a drop of total open interest in Interest Rate Futures contracts within the respective maturity bucket. However, in the scenario, such market participants shall not be allowed to increase their existing positions or create new positions in the Interest Rate Futures contracts of the respective maturity bucket till they comply with the applicable position limits.

4.2.6. Notwithstanding the above, in view of risk management or surveillance concerns about the positions of such market participants, stock exchanges may direct them to bring down their positions to comply with the applicable position limits within the time prescribed by the stock exchanges.

4.2.7. Exchanges have the responsibility to monitor the position limits. However, exchanges may outsource the work to Clearing Corporations subject to entering into a formal agreement clearly outlining their respective roles, responsibilities and the commercials on arm’s length basis.

4.2.8. Banks Participation in Interest Rate Futures:

4.2.8.1. It is stated in the RBI Report on Interest Rate Futures that “…the current approval for banks’ participation in IRF for hedging risk in their underlying investment portfolio of government securities classified under the Available for Sale (AFS) and Held for Trading (HFT) categories should be extended to the interest rate risk inherent in their entire balance sheet – including both on, and off, balance sheet items – synchronously with the re-introduction of the IRF.”

4.3. Exchange Traded Cash Settled Interest Rate Futures (IRF) On 6 Year, 10 Year And 13 Year Government Of India Security[65]

4.3.1. Two different designs (Option-A: Coupon bearing Government of India security as underlying and Option-B Notional coupon bearing 6-year, 10-year and 13-year Government of India security with settlement price based on basket of Securities as underlying) are permitted for cash settled futures on 6-year, 10-year and 13-year GoI Security. Exchanges are permitted to launch contracts on either one or both of these options.

4.3.2. Before the launch of the product, the Stock Exchange shall submit the proposal to SEBI for approval giving the details of contract

[65] Circular No. CIR/MRD/DRMNP/35/2013 dated December 05, 2013 and CIR/MRD/DRMNP/11/2015 dated June 12, 2015

specifications, risk management framework, the safeguards and the risk protection mechanisms, the surveillance systems etc.

<table>
<tr><th colspan="2">S.No / Category</th><th>6 Years</th><th>10 Years</th><th>13 Years</th></tr>
<tr><td rowspan="2">4.3.3.Underlying</td><td>Option A</td><td>4.3.3.1. GoI security of face value INR 100 with semi-annual coupon and residual maturity between 4 years and 8 years on the day of expiry of IRF contract, as decided by stock exchanges in consultation with FIMMDA.</td><td>4.3.3.3. GoI security of face value Rs 100 with semi-annual coupon and residual maturity between 8 and 11 years on the day of expiry of IRF contract, as decided by stock exchanges in consultation with FIMMDA.</td><td>4.3.3.5. GoI security of face value INR 100 with semi-annual coupon and residual maturity between 11 years and 15 years on the day of expiry of IRF contract, as decided by stock exchanges in consultation with FIMMDA.</td></tr>
<tr><td>Option B</td><td>4.3.3.2. Notional coupon bearing 6-year GoI security with a notional coupon paid semi-annually and face value of INR 100. For each contract, there shall be basket of Government of India Securities, with residual maturity between 4 years and 8 years on the day of expiry of IRF contract, with appropriate weight assigned to each security in the basket. Exchanges shall determine criteria for including securities in the basket and determining their weights such as trading volumes in cash market, minimum outstanding etc.</td><td>4.3.3.4. Notional coupon bearing 10-year GoI security with a notional coupon paid semi-annually and face value of Rs 100. For each contract, there shall be basket of Government of India Securities, with residual maturity between 8 and 11 years on the day of expiry of IRF contract, with appropriate weight assigned to each security in the basket. Exchanges shall determine criteria for including securities in the basket and determining their weights such as trading volumes in cash market, minimum outstanding etc</td><td>4.3.3.6. Notional coupon bearing 13-year GoI security with a notional coupon paid semi-annually and face value of INR 100. For each contract, there shall be basket of Government of India Securities, with residual maturity between 11 years and 15 years on the day of expiry of IRF contract, with appropriate weight assigned to each security in the basket. Exchanges shall determine criteria for including securities in the basket and determining their weights such as trading volumes in cash market, minimum outstanding etc.</td></tr>
<tr><td colspan="5">4.3.3.7. Exchanges shall disclose the criteria for selection of the underlying bond/s in both options of cash settled Interest Rate Futures on 6-Years, 10 Years and 13 –Year Government of India security.</td></tr>
<tr><td>4.3.4. Coupon</td><td>Option A</td><td colspan="3">4.3.4.1. Coupon shall be same as that of the underlying bond</td></tr>
<tr><td></td><td>Option B:</td><td colspan="3">4.3.4.2. To be decided by the exchange to reflect the interest rate environment during the launch of the contract.</td></tr>
<tr><td colspan="2">4.3.5. Size of the Contract</td><td colspan="3">4.3.5.1. Each futures contract shall represent 2000 underlying bonds of total face value of INR 2,00,000/-.</td></tr>
<tr><td colspan="2">4.3.6. Quotation</td><td colspan="3">4.3.6.1. The Quotation shall be similar to the quoted price of the Government of India security.</td></tr>
</table>

S.No / Category	6 Years	10 Years	13 Years
4.3.7. Tenure of the Contracts	4.3.7.1. Three serial monthly contracts followed by maximum three additional quarterly contracts of March/June/September/December cycle may be made available by Stock Exchanges.		
4.3.8. Contract Value	4.3.8.1.The contract value shall be: = Quoted price * 2000		
4.3.9. Expiry/Last trading day	4.3.9.1. The expiry / last trading day for the contract shall be the last Thursday of the expiry month. If any expiry day is a trading holiday, then the expiry/ last trading day shall be the previous trading day.		
4.3.10. Settlement Day	4.3.10.1 Settlement day shall be the next working day of the Expiry day.		
4.3.11. Settlement Mechanism	4.3.11.1. Settlement shall happen in cash in INR.		
4.3.12. Daily Settlement Value	4.3.12.1. The Daily Contract Settlement Value shall be = Pw*2000 (Here Pw is volume weighted average futures price of last half an hour). In the absence of last half an hour trading, theoretical futures price shall be considered for computation of Daily Contract Settlement Value. 4.3.12.2. For computing theoretical futures price, volume weighted average price of underlying bond in last two hours of trading on NDS-OM shall be considered. In case, there are no trades in the last two hours of trading on NDS-OM, either of the following shall be considered:- A theoretical price with reference to FIMMDA rates shall be used. OR a) The volume weighted average price of underlying bond in the entire day shall be considered. b) In case there are no trades in the entire day on NDS-OM, then the previous day's theoretical price shall be considered. The same can be considered up to maximum 5 trading days. c) If case there are no trades for more than 5 consecutive days, then a theoretical price with reference to FIMMDA rates shall be used. Exchanges shall be required to disclose the model/methodology used for arriving at the theoretical price		
4.3.13. Final Contract Settlement Value	4.3.13.1. The Final Contract Settlement Value shall be = 2000 * Pf where Pf is the final settlement price of the Underlying/Notional bond, which shall be determined as given below. **Option-A:** Pf will be arrived at by calculating the weighted average price of the underlying bond based on the prices during the last two hours of the trading on NDS-OM. If less than 5 trades are executed in the underlying bond during the last two hours of trading, then FIMMDA price shall be used for final settlement. **Option-B:** The final settlement price shall be based on average settlement yield (Ys) which shall be the weighted average of the yields of bonds in the underlying basket, where weights will be the assigned weight of the bonds in the underlying basket. Ys will be rounded off to 4 decimal digits. For each bond in the basket, yield shall be calculated by determining weighted average yield of the bond based on last two hours of the trading in NDS-OM. If less than 5 trades are executed in the bond during the last two hour of trading, then FIMMDA price shall be used for determining the yields of individual bonds in the basket.		

S.No / Category	6 Years	10 Years	13 Years
	Pf = $$\left[\frac{100}{\left(1+\frac{Ys}{2}\right)^{2n}}\right]+\left[\sum_{k=1}^{2n}\frac{100 * \frac{C}{2}}{\left(1+\frac{Ys}{2}\right)^{k}}\right]$$ where, Ys: Average Settlement yield C: The notional coupon of underlying bond n = 6 (for 6 year IRF); 10 (for 10 year IRF); 13 (for 13 year IRF)		

4.3.14. **Position Limits[66]**

Following position limits shall be applicable for IRF contracts:

4.3.14.1. **Client/ Non-institutions belonging to Category II FPI (i.e., individuals, family offices and companies)/ Category III FPI/ Scheme of Mutual Fund Level:**

The gross open positions across all contracts within the respective maturity bucket shall not exceed 3% of the total open interest in the respective maturity bucket or INR 200 crore, whichever is higher.

4.3.14.2. **Trading Member/ Mutual Fund/ Insurance Companies /Housing Finance Companies/ Pension Funds Level/ Banks and Primary Dealers dealing as clients/ Institutions belonging to Category I and II FPIs (i.e., other than individuals, family offices and companies):**

The gross open positions across all contracts within the respective maturity bucket shall not exceed 10% of the total open interest in the respective maturity bucket or INR 600 crore, whichever is higher.

4.3.14.3. **Position limits for Interest Rate Derivatives falling in 8-11 years residual maturity bucket shall be as under:**

[66] Circular No. SEBI/HO/MRD/CIR/P/2019/103 dated September 26, 2019

Category	Position limits for 8-11 year bucket	Position limits each for 4-8 and 11-15 years bucket
Trading members, institutions in Category I and II FPIs (i.e. other than individuals, family offices and companies), banks and Primary Dealers, Mutual Funds (at AMC level), Insurance Companies, Pension Funds and Housing Finance companies	10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher
Non-institutions in Category II FPIs (i.e. individuals, family offices and companies), Mutual Fund (Scheme level) and other clients	3% of Open Interest or INR 400 crore whichever is higher	3% of Open Interest or INR 200 crore whichever is higher

4.3.14.4. Additional restriction for FPIs:

The total gross short (sold) position of each FPI in IRF shall not exceed its long position in the government securities and in Interest Rate Futures, at any point in time. The total gross long (bought) position in cash and IRF markets taken together for all FPIs shall not exceed the aggregate permissible limit for investment in government securities for FPIs.

4.3.14.4.1. FPIs shall ensure compliance with the above limits. Stringent action shall be taken against FPI in case of violation of the limits.

Clearing Member Level

4.3.14.4.2. No separate position limit is prescribed at the level of clearing member. However, the clearing member shall ensure that his own trading position and the positions of each trading member clearing through him is within the limits specified above.

Exchange Level Overall Position Limit

At any Exchange overall open interest on IRF contracts on each underlying shall not exceed 25% of the outstanding of underlying bond.

With a view to ease trading requirements in the Interest Rate Futures
contracts, it is clarified that the position limit linked to open interest
shall be applicable at the time of opening a position. Such positions
shall not be required to be unwound immediately by the market
participants in the event of a drop of total open interest in Interest
4.3.14.4.3. Rate Futures contracts within the respective maturity bucket.
However, in the scenario, such market participants shall not be
allowed to increase their existing positions or create new positions in
the Interest Rate Futures contracts of the respective maturity bucket
till they comply with the applicable position limits.
4.3.14.4.4. Notwithstanding the above, in view of risk management or
surveillance concerns about the positions of such market
participants, stock exchanges may direct them to bring down their
4.3.14.4.5. positions to comply with the applicable position limits within the time
prescribed by the stock exchanges.

4.3.14.5. Further, SEBI in consultation with RBI may halt the trading in case of extreme volatility in the IRF market.

5. DERIVATIVE CONTRACTS ON FOREIGN INDICES

5.1.Underlying	5.1.1. Derivative contracts on foreign stock indices are permitted as per the eligibility criteria.
5.2.Eligibility Criteria	5.2.1. A stock exchange may introduce derivatives on a foreign stock index if: Derivatives on that Index is available on any of the stock exchanges listed in table given below:

S No.	**Exchange**
Americas	
1.	BM&FBOVESPA
2.	Chicago Board Options Exchange (CBOE)
3.	CME Group
4.	ICE Futures U.S.
5.	International Securities Exchange (ISE)
6.	MexDer
7.	Montréal Exchange
8.	NASDAQ OMX PHLX
Asia Pacific	
1.	Australian Securities Exchange
2.	Bursa Malaysia
3.	Hong Kong Exchanges
4.	Korea Exchange
5.	Osaka Securities Exchange
6.	Singapore Exchange

	7.	TAIFEX
	8.	Tokyo Stock Exchange Group
	Europe, Africa, Middle East	
	1.	BorsaItaliana
	2.	Eurex
	3.	Johannesburg SE
	4.	MEFF
	5.	NASDAQ OMX Nordic Exchange
	6.	NYSE Liffe (European markets)
	7.	Oslo Børs
	8.	Tel Aviv SE
	5.2.2. In terms of trading volumes (number of contracts), derivatives on that Index figures among the top 15 Index derivatives globally. OR That Index has a market capitalization of at least USD 100 billion. 5.2.3. That index is "broad based". An Index is broad based if : 5.2.3.1. The Index consists of a minimum of 10 constituent stocks and 5.2.3.2. No single constituent stock has more than 25% of the weight, computed in terms of free float market capitalization, in the Index.	
5.3.Failure to meet Eligibility Criteria	5.3.1. After introduction of derivatives on a particular stock index, if that stock index fails to meet any of the eligibility criteria for three months consecutively, no fresh contract shall be introduced on that Index. However, the existing unexpired contracts would be traded till expiry and new strikes may be introduced on those contracts.	
5.4.Currency Denomination	5.4.1. The absolute numerical value of the underlying foreign stock index shall be denominated in Indian Rupees (INR). The derivatives contracts on that foreign stock index would be denominated traded and settled in Indian rupees.	
5.5.Risk Management Framework	5.5.1. The stock exchange shall submit the risk management framework along with its application for introduction of derivatives on foreign stock indices.	
5.6. Position Limits	5.6.1. The Trading Member/Mutual Funds position limits (higher of Rs. 500 crore or 15% of the total open interest in Index derivatives) as well as the disclosure requirement for clients whose position exceed 15% of the open interest of the market, as applicable to domestic stock index derivatives, shall be applicable to derivatives on foreign stock indices.	
5.7.Information Sharing	5.7.1. The stock exchange shall ensure that material price sensitive information and information relating to regulatory actions and corporate actions relating to constituent stocks of the foreign stock index, as available in public domain, are available to Indian investors.	
5.8. Legal Compliance	5.8.1. The stock exchange shall ensure compliance with any other legal provisions relating to introduction of derivatives on foreign stock indices and obtain requisite approvals from the concerned regulatory bodies.	

5.9. Enforcement	5.9.1. Any kind of market demeanor in the market for the derivatives on foreign stock indices shall be subject to the appropriate enforcement actions, as applicable to the market for any securities.
5.10.Trading	5.10.1. Trading in derivatives on Foreign Stock Indices shall be restricted to residents in India.

6. FUTURE CONTRACTS ON CORPORATE BOND INDICES[67]

6.1. Stock Exchanges are permitted to introduce derivative contracts on indices of corporate debt securities rated AA+ and above. To start with, the Stock Exchanges are permitted to launch future contracts on corporate bond indices.

6.2. The details regarding index composition, contract specifications, position limits, risk management framework, etc. for introduction of future contracts on corporate bond indices are given below.

6.3. The stock exchanges desirous of introducing such contracts shall submit a detailed proposal to SEBI for approval, *inter alia,* providing details relating to underlying corporate bond index, the index methodology, contract specifications, applicable trading, clearing & settlement mechanism, risk management framework, the safeguards to ensure market integrity, investor protection, surveillance systems, etc.

6.4. **Product design and risk management framework for Cash Settled Corporate Bond Index Futures (CBIF)**

6.4.1. Permitted Corporate Bond Index
The index underlying the derivative contract shall be as per the following:

i. The index shall be composed of corporate debt securities.

ii. Constituents of the index should have adequate liquidity and diversification at issuer level, as decided by the stock exchanges.

iii. Constituents of the index shall be periodically reviewed (at least on half-yearly basis).

iv. Constituents of the index shall be aggregated at issuer level for the purpose of determining exposure limits for single issuer, group, sector, etc.

[67] Circular No SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/11 dated January 10, 2023

v. Single issuer shall not have more than 15% weight in the index.

vi. There shall be at least 8 issuers in the index.

vii. The index shall not have more than 25% weight in a particular group of issuers [excluding securities issued by Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Public Sector Banks (PSBs)].

viii. The index shall not have more than 25% weight in a particular sector (excluding securities issued by PSUs, PFIs and PSBs).

ix. The duration buckets of the index may be decided by the stock exchanges.

x. The index shall have a track record of at least one year.

6.4.2. Contract Value

The value of the CBIF contracts shall not be less than INR 2 lakhs at the time of introduction. Stock exchanges shall review the contract value or lot size on half-yearly basis and may make revisions, if required, by giving an advance notice to the market.

6.4.3. Tenure of the Contracts

i. Tenure: The stock exchanges may introduce contracts of up to a tenure of 3 years.

ii. Contract Cycle: Weekly, three Serial monthly contracts, one quarterly contract of the cycle March/June/September/December or one half-yearly contract of the cycle June/December.

6.4.4. Quotation and Tick value

The quotation shall be in Indian Rupee. The Tick value shall be decided by the stock exchanges based on the underlying index values or contract size, etc.

6.4.5. Contract Expiry

The expiry or last trading day for the contract shall be the last Thursday of the expiry cycle. If any expiry day is a trading holiday, then the expiry or last trading day shall be the previous trading day.

6.4.6. Settlement Mechanism

The contracts would be settled in cash in Indian Rupee (INR).

6.4.7. Settlement Day

Settlement day shall be the next working day of the expiry day.

6.4.8. Daily Settlement Price

The daily settlement price shall be the last half an hour volume weighted average price of the contract. In the absence of last half an hour trading, theoretical price shall be considered. The methodology used for the theoretical price computation shall be published on the stock exchange website.

6.4.9. Final Settlement Price

Final settlement price for the derivative contracts shall be the closing price of the underlying index on the expiry day or last trading day of such derivative contracts.

6.4.10. Position Limits

Category	**Position limit**
6.4.10.1. Trading Members/ Mutual Funds / Insurance Companies /Housing Finance Companies/ Pension Funds / Banks and Primary Dealers dealing as clients/ Institutions belonging to Category I and II FPIs (i.e. other than individuals, family offices and companies)	6.4.10.1.1. The gross open positions across all contracts within the respective underlying index shall not exceed 10% of the total open interest or INR 1,200 crore, whichever is higher.
6.4.10.2. Non-institutions in Category II FPIs (i.e. individuals, family offices and companies), Mutual Fund (Scheme level) and other clients	6.4.10.2.1. 3% of the total open interest or INR 400 crore whichever is higher.

6.4.10.3. No separate position limit is prescribed at the level of clearing member. However, the clearing member shall ensure that his own trading position and the positions of each trading member clearing through him is within the limits specified above.

7. VOLATILITY AND BOND INDEX

7.1. Volatility Index

7.1.1. Exchanges shall construct a Volatility Index and disseminate the same. The Exchanges are free to decide whether they want to adopt any of the Volatility Index computation models available globally or may like to develop their own model for computation of Volatility Index. The detailed methodology for computing the Volatility Index shall be disseminated by the Exchange for the benefit of the market participants and investors.

7.2. Derivatives on Volatility Index

7.2.1. Exchanges are permitted to introduce derivative contracts on Volatility Index, subject to the conditions that:

7.2.1.1. The underlying Volatility Index has a track record of at least one year.

7.2.1.2. The Exchange shall ensure that the appropriate risk management framework for such derivative contracts is adopted by CC.

7.3. Before introduction of such contracts, the Stock Exchanges shall submit the following to SEBI:

7.3.1. Contract specifications

7.3.2. Position and Exercise Limits

7.3.3. Margins

7.3.4. The economic purpose it is intended to serve

7.3.5. Likely contribution to market development

7.3.6. The safeguards and the risk protection mechanism adopted by the exchange to ensure market integrity, protection of investors and smooth and orderly trading

7.3.7. The infrastructure of the exchange and the surveillance system to effectively monitor trading in such contracts, and

7.3.8. Details of settlement procedures & systems

7.3.9. Details of back testing of the margin calculation for a period of one year considering a call and a put option on the underlying with a delta of 0.25 & -0.25 respectively and actual value of the underlying

7.4. Bond Index

Exchanges shall construct a Bond Index (both corporate & GOI) and disseminate the same. The Exchanges are free to decide whether they want to adopt any of the Bond Index computation models available globally or may like to develop their own model for computation of Bond Index. The detailed methodology for computing the Bond Index shall be disseminated by the Exchange for the benefit of the market participants and investors. Based on experience gained and awareness generated, derivatives on Bond Index shall be considered for introduction in due course of time.

8. MISCELLANEOUS

8.1. Eligibility Criteria for introducing Derivatives Segment on the Exchange

8.1.1. The exchange shall obtain prior approval of SEBI before start of trading in any derivatives contract. The exchanges shall not deal in or otherwise undertake the business relating to currency futures[68] or options unless they hold an authorization issued by the Reserve Bank under section 10 (1) of the Foreign Exchange Management Act, 1999 (latest FEMA directions may be referred to). The Clearing and settlement of derivatives trades shall be through a SEBI approved Clearing Corporation. The existing stock exchanges having cash trading are permitted to trade in derivative contracts through a separate segment with separate membership. A derivative segment of an exchange shall be separate from the cash segment and other derivative segments in the following areas-

[68] Circular No. CIR/MRD/DP/17/2015 dated October 08, 2015

8.1.1.1. The legal framework governing trading of each derivative segment should be separate from the cash market segment and other derivative segments. In other words, the Regulations and / or Bye-laws of derivative segment, as the case may be for specific exchanges, shall be separate from the cash market segment and other derivative segments.

8.1.1.2. Membership of each derivative segment shall be separate from the cash market segment and other derivative segments. The exchange shall comply with the relevant provisions as laid down by the SECC Regulations and any other relevant provisions in this regard**.**

8.1.1.3. The separation, if any, as regard the functional, operational and administrative modalities shall be at the discretion of the Exchange.

8.2. **Reporting and Disclosures (Applicable for all Exchange Traded Derivative Segments).**

8.2.1. Exchanges are required to report the following details of the transactions in derivatives contracts, on their respective websites on a daily basis:

8.2.1.1. Contracts Description
8.2.1.2. Number of contracts traded
8.2.1.3. Notional Value (for option contracts, notional value would be calculated as [strike + Premium] * lot size * number of contracts traded).
8.2.1.4. Open
8.2.1.5. High
8.2.1.6. Low
8.2.1.7. Value of premium traded (for option contracts)
8.2.1.8. Open Interest (in number of contracts)

8.3. **Surveillance System of the Exchanges**

8.3.1. The surveillance systems of the exchanges should be designed keeping in view all the relevant aspects including the following –

8.3.1.1. The alerts in the online surveillance system should automatically generate material aberrations from normal activity.

8.3.1.2. The surveillance systems and processes should be able to-

8.3.1.2.1. Monitor open interest, cost of carry/impact cost and volatility.

8.3.1.2.2. Monitor closing prices.

8.3.1.2.3. In case of equity derivatives, the open positions in the derivative market should be seen in conjunction with the open positions in the cash market. i.e. the position deltas should be monitored.

8.3.1.2.4. The timing of disclosure by corporates should be monitored as this could influence the prices of the contract at the time of introduction and expiry.

8.3.1.2.5. Strike prices with large open positions should be monitored as this could influence the prices of the contract at the time of introduction and expiry.

8.3.1.2.6. Strike prices with large open positions should be monitored, as such strike prices could be a target price to be achieved in the cash market to derive maximum benefit from the derivative position.

8.3.1.2.7. Capture and process client level details.

8.3.1.2.8. Develop databases of trading activity by brokers as well as clients.

8.3.1.2.9. Generate trading pattern in individual products or group of products by a broker over a period of time or by a client / group of clients over a period of time.

8.3.1.2.10. Generate the pattern of trading in a product over a period of time giving such details as the purchases/sales/positions/open interest held by different brokers or clients/group of clients.

8.3.1.2.11. Monitor proportion of trading in derivatives market vis-à-vis trading in the underlying in the cash market and aberrations as compared to historical data and as compared to market average.

8.3.1.2.12. Monitor large trades, call put ratio’s and exercise patterns.

8.3.1.2.13. Ensure that there is no unhealthy speculative trading in the market, which may result in cornering or artificial rigging up or down of the prices by a particular member or group or class of members.

8.3.1.3. In case of Equity Derivatives, for integration of surveillance in cash and derivatives markets, the persons who carry out monitoring/analysis in the derivatives market should have access to data of the underlying security in cash market and vice versa. The co-ordination between surveillance and derivatives segment should ensure monitoring of positions at broker/client level across cash and derivatives market with a view to identifying possible fraudulent or manipulative activity.

Examination of derivatives trading details should be taken up on the basis of cash market surveillance also, and vice versa.

8.3.1.4. While the surveillance system may be able to generate a large amount of information, it is only the first step towards analysing market behaviour to identify potential problems. The exchange surveillance staff should be able to carry out quick and effective analysis of information generated by the surveillance system, and should document this analysis properly. The documentation should be properly authenticated and verified by a designated authority of the stock exchange.

8.3.1.5. The information and feedback received from broker inspections is vital input for effective surveillance. For this it is necessary that broker inspections are taken up in a rational manner keeping in view the level of trading activity, client profile, number and nature of complaints received against the broker, history of risk management related defaults and regulatory violations etc. Information obtained through broker inspections should also be made available to the monitoring/surveillance departments of stock exchanges.

8.3.1.6. The information gathered by the risk management departments/clearing corporations while enforcing the risk management measures and settlement processes are critical inputs. Such information could include pattern of defaults related to specific scrips/contracts and special risk management measures taken keeping in view the market conditions.

8.3.1.7. The exchanges should call for information from brokers in a standard form, and preferably in electronic form, to facilitate faster analysis as well as building up of databases. It may also be ensured that duly authenticated information is submitted by the broker or his designated agent.

8.3.1.8. While implementing a stock watch type of system for derivatives, the system should be designed to provide online access to relevant historical data on derivatives trading for at least a year.

8.3.1.9. In the interest of better surveillance, it is necessary that relevant information obtained through surveillance at one exchange should be shared with other exchanges. Exchanges are, therefore, advised to share information on positions in underlying stocks, their derivatives, currency derivatives and any extraordinary movement in price / volume or concentration periodically or upon specific request by any stock exchange.

8.3.1.10. Exchanges should study surveillance practices in various Global Equity Derivative Markets/ Global Forex Derivative Markets. Surveillance practices in commodities and bullion markets could also be studied where appropriate. Case studies on some market manipulations in various derivatives markets could be looked at in order to see what lessons could be drawn. Periodical benchmarking, at least once in every six months, against international practices, systems performance etc., must be performed and documented.

8.3.1.11. Compliance with the above requirements may be indicated in the monthly reports on surveillance and investigations submitted by exchanges to SEBI.

8.4. Requirement of Base Minimum Capital for Trading Member

8.4.1. Base Minimum Capital (BMC) is the deposit given by the member of the exchange against which no exposure for trades is allowed. The BMC deposit requirement was prescribed to be commensurate with the risks, other than market risk, that the broker may bring to the system. The BMC requirements has been realigned with the risk profiles of the stock brokers / trading members in cash / derivative segment of the stock exchange.

8.4.2. Accordingly, the requirement of BMC would be implemented in the following manner –

8.4.2.1. Stock Exchanges shall ensure that Stock brokers / trading members shall maintain the prescribed BMC based on their profiles:

Categories	**BMC Deposit (in INR)**
Only Proprietary trading without Algorithmic trading (Algo)	10 Lacs
Trading only on behalf of Client (without proprietary trading) and without Algo	15 Lacs
Proprietary trading and trading on behalf of Client without Algo	25 Lacs
All Trading Members/Brokers with Algo	50 Lacs
Execution Only Platform (EOP) – Category 2 EOP[69]	10 Lacs

8.4.2.2. This BMC deposit requirement stipulated in the table above, is applicable to all stock brokers / trading members of exchanges.

[69] Circular No. SEBI/HO/MRD/POD-III/CIR/2023/165 dated October 06, 2023

8.4.2.3. The BMC deposit shall be maintained for meeting contingencies in any segment of the exchange. For members having registration for more than one segment of the same exchange, the BMC deposit requirement shall not be additive for such number of segments and shall be the highest applicable BMC deposit, across various segment.

8.4.2.4. No exposure shall be granted against such BMC deposit. The Stock Exchanges shall be permitted to prescribe suitable deposit requirements, over and above the SEBI prescribed norms, based on their perception and evaluation of risks involved.

8.4.2.5. Minimum 50% of the deposit shall be in the form of cash and cash equivalents. The existing guidelines on collateral composition shall continue to remain applicable.

8.4.3. BMC requirement for stock exchanges having average daily turnover of less than Rs. 1 crore: Stock Exchanges shall maintain the BMC at Rs. 1 lakh if the average daily turnover is less than Rs.1 crore for any three consecutive months.

9. ANNEXURES

Annexure 1a: Illustration of position creation during ban period

Day	EoD Position	Comments
1	Long Futures 1 lot	Stock went into ban period EoD day 1. Delta position is positive. Any decrease till 0 is permissible on subsequent days.
2	Long Futures 1 lot (with underlying appreciating by 5%)	Passive increase in EoD delta by 5% as no new position is created. Permissible.
3	Long Futures 1 lot + Long Put option 1 lot	Overall delta reduction as long put has negative delta. Permissible.
4	Long Futures 1 lot + Long Put option 1 lot + Short OTM Call option 1 lot	Further delta reduction as short call has negative delta. As long as EoD delta above 0, permissible.
5	Long Futures 2 lot + Long Put option 1 lot + Short Call option 1 lot	Additional Delta creation in positive side compared to previous day. Not permissible.

Annexure 2a -Goods notified u/s 2(bc) of SCRA

S. No.	Goods
(I)	**CEREALS AND PULSES**
1	Bajra
2	Barley
3	Gram (including Dal)
4	Jowar
5	Kulthi
6	Lakh (Khesari)
7	Maize/Corn
8	Masoor (including dals)
9	Moong and Products (including Chuni, Dal)
10	Moth
11	Peas (including Yellow Peas)
12	Ragi
13	Rice or Paddy (Including Basmati)
14	Small Millets (KodanKulti, Kodra, Korra, Vargu, Sawan, Rala, Kakun, Samai, Vari and B anti)
15	Tur/Arhar (Including Chuni, Dal)
16	Urad/Mash (Including Dal)
17	Wheat
(II)	**OILSEEDS, OILCAKES AND OILS**
18	Castor Complex (including seed, oil, oilcake)
19	Coconut / Copra complex (including seed / fruit, oil, oilcake)
20	Cottonseed complex (including seed, oil, oilcake)
21	Palm oil complex (including seed, oil, oilcake)
22	Groundnut complex (including nut, oil, oilcake)
23	Linseed complex (including seed, oil, oilcake)

S. No.	*Goods*
24	Rapeseed Mustardseed complex (including seed, oil, oilcake, meal)
25	Rice bran complex (including bran, oil, oilcake)
26	Safflower complex (including seed, oil, oilcake)
27	Sesamum complex (including seed, oil, oilcake)
28	Soy complex (including bean, oil, oilcake, meal)
29	Sunflower complex (including seed, oil, oilcake)
(III)	**SPICES**
30	Aniseed
31	Cardamom
32	Celeryseed
33	Chillies
34	Cinnamon
35	Cloves
36	Coriander seed
37	Ginger
38	Jeera (Cumin seed)
39	Methi
40	Nutmegs
41	Pepper
42	Turmeric
43	Garlic
(IV)	**METALS**
44	Aluminium and Aluminium Alloys
45	Brass
46	Copper and Copper Alloys
47	Iron Ore
48	Lead and Lead Alloys
49	Nickel and Nickel Alloys
50	Pig Iron

S. No.	*Goods*
51	Sponge Iron
52	Steel
53	Tin
54	Zinc and Zinc Alloys
55	Manganese
(V)	**PRECIOUS METALS**
56	Gold (including variants such as coins, bars etc.)
57	Platinum (including variants such as bars etc.)
58	Silver (including variants such as coins, bars etc.)
59	Palladium(including variants such as coins, bars etc.)
(VI)	**GEMS and STONES**
60	Diamond
(VII)	**FIBRES**
61	Art Silk Yarn
62	Cotton complex (including Kapas, fibre, loose, half-pressed, full-pressed, yarn, pods, cloth)
63	Jute and Jute goods (including raw jute, mesta, hessian, sackings, cloth, bags, twines, yarns and any other products made of jute)
64	Staple Fibre Yarn
(VIII)	**ENERGY**
65	Carbon Credit
66	Coal (including variants such as coking, thermal, lignite etc.)
67	Crude Oil
68	Electricity
69	Bio-fuel (Including Ethanol, Bio-diesel)
70	Furnace Oil
71	Gasoline/Petrol
72	Diesel
73	Methanol

S. No.	Goods
74	Natural Gas
(IX)	**SWEETENERS**
75	Gur
76	Sugar (including S, M and other grades and khandsari)
(X)	**PLANTATION**
77	Cocoa
78	Coffee
79	Rubber
80	Tea
(XI)	**DRY FRUITS**
81	Almond
82	Cashew
(XII)	**FRUITS AND VEGETABLES**
83	Apple
(XIII)	**DAIRY AND POULTRY**
84	Skimmed Milk Powder
85	White Butter
(XIV)	**ACTIVITIES, SERVICES, RIGHTS, INTERESTS AND EVENTS**
86	Weather
87	Freight including trucks, railways, waterways, airways
(XV)	**FORESTRY**
88	Processed Products of Timber
89	Processed Products of Bamboo
(XVI)	**CHEMICALS**
90	Bitumen
(XVII)	**CONSTRUCTION**
91	Cement
(XVIII)	**OTHERS**
92	Betelnuts

S. No.	*Goods*
93	Camphor
94	Chara or Berseem (including chara seed or berseem seed)
95	Eggs
96	Gram Husk (Gram Chilka)
97	Guar Seed and products (including Guar Gum split, Guar Gum powder, Korma, Churi)
98	Isabgol
99	Mentha Oil and Products (including Crystals, Flakes etc.)
100	Onion
101	Polymer
102	Potato
103	Seedlac
104	Shellac

Annexure 2b - Template on Criteria for Eligibility of Commodity Derivative Products

Section I

Particulars	**Weight**	**Sub-score**	**Details**
Parameter I - Commodity Fundamentals			
Size of commodity			This parameter relates to production, imports, carryover stocks etc…
Volume in cash market			The daily volumes in the underlying cash/spot/physical market may be a good indicator of the depth
Durability and Storability			Relates to the durability and duration for which the commodity can be stored
Homogeneous/ Standardization			Scope for standardization
Parameter I Score			

	Parameter II - Ease of doing Business				
	Particulars	**Weight**	**Sub-score**	**Details**	
	Prevalence of price controls			These parameters relate to the ease of doing business in commodity markets. Issues such as price controls, storage controls, Taxation etc., have a bearing on the trade. These parameters are also an indicator of what reforms should be brought in the commodity space in a regulated environment to be best in class globally.	
	Minimum Support Price (MSP) for the commodity				
	Storage controls/ Stock Limits				
	Government. Policy				
	Applicability of other Laws				
	Parameter II Score =				

Section II

Particulars	**Weight**	**Sub-score**	**Details**
Parameter III - Trade/ Business			
Global Trade - Imports or Exports			Importance in global trade and to our economy. Ability to add value to the base commodity. Commercial application, nature of buyers, Supply/demand gap etc.
Domestic market / Geographical coverage			
Presence of Value Chain participants (VCPs)			
Supply/ Demand			
Parameter III Score			
Parameter IV - Risk Management			
Particulars	**Weight**	**Sub-score**	**Details**
Correlation			The risk parameters viz., volatility, correlation with either domestic traded prices or globally traded prices, seasonality, liquidity, benefits to hedgers / farmer through direct / indirect participation and scope to hedge the price risk forms part of the Risk Management
Seasonality			
Basis Risk			
Volatility			
Hedging Incentive			
Liquidity			
Parameter IV Score			
Parameter V - Benchmark Potential			
Particulars	**Weight**	**Sub-score**	**Details**
Existence of Forward Trading in OTC markets			
Suitability for Futures/ Options Trading			
Potential to create a Domestic Benchmark			
Potential to create a Global Benchmark			
Parameter V Score			

<u>Section I Score =</u> Parameter I Score + Parameter II Score **<u>Section II Score =</u> Parameter III Score + Parameter IV Score + Parameter V Score** **Overall Score = Section I Score + Section II Score**
Note: • *Weight-ages in % and total of all weight-ages should be 100* • *Scores/Sub-scores are to be given in a range of 1 to 5* • *The following scale is to be used for scoring the parameters:* *1 : Poor* *2 : Reasonable* *3 : Good* *4 : Very Good* *5 : Excellent*

Annexure 2c - Parameters for Performance Review of Commodity Derivative Contract

1) Background

a. Brief about the commodity such as sample picture, lifecycle and various varieties/grade of the commodity found in India
b. Commodity fundamentals and balance sheet as per the following format (to be prepared based on publicly available information on best effort basis):

Table - Fundamentals & Balance sheet (quantity)

Global Scenario	*Previous FY*	*Current FY*
Opening Stocks		
Production		
Others (if any)		
Consumption		
Closing Stocks		

Indian Scenario	*Previous FY*	*Current FY*
Opening Stocks		
Production		
Imports		
Total Supply		
Exports		
Domestic Consumption		
Closing Stocks		

Top 10 Major producing countries	*Previous FY*	*Current FY*

Top 10 Major consuming countries	*Previous FY*	*Current FY*

Top 10 Major exporting countries	*Previous FY*	*Current FY*

Top 10 Major importing countries	*Previous FY*	*Current FY*

Top 10 Major producing states in India	*Previous FY*	*Current FY*

a. Major changes in the polices governing trade in the spot markets of the commodity
b. Geopolitical issues in the commodity and its impact on Indian scenario.

2) Trading related parameter

a. Monthly and Annual traded volume (quantity in appropriate units)
b. Annual traded volume as proportion of total deliverable supply (quantity in appropriate units)
c. Annual traded volume as proportion of total annual production (quantity in appropriate units)
d. Annual average Open interest as proportion of total production
e. Annual average Open interest as proportion of total deliverable supply
f. Monthly and Annual value of trade (in Rs. Crores)
g. Monthly and Annual quantity of delivery (in appropriate units)
h. Monthly and Annual value of delivery (in Rs. Crores)
i. Monthly and Annual Average Open Interest (OI) (in appropriate units)
j. Annual average volume to open interest ratio
k. Total number of unique members and clients who have traded during the financial year
l. Ratio of open interest by FPOs/farmers/Hedge/VCP positions to total open interest (Annual average as well as maximum daily value)
m. Number of unique FPOs / farmers and VCPs/hedgers who traded in the financial year
n. Algorithmic trading as percentage of total trading
o. Delivery defaults
    - Number of instances
    - Quantity involved
    - Value involved

3) Price movements

a. Comparison, correlation and ratio of standard deviation of Exchange futures price vis-à-vis international futures price (wherever relevant comparable are available).
b. Comparison, correlation and ratio of standard deviation of Exchange futures price vis-à-vis international spot price (wherever relevant comparable are available) and domestic spot price (exchange polled price).

c. Correlation between exchange futures & domestic spot prices along with ratio of standard deviation.
d. Correlation between international futures & international spot prices along with ratio of standard deviation (wherever relevant comparable are available).
e. Comparison of Exchange polled price and mandi price (in case of agricultural commodities) / other relevant price (in case non-agricultural commodities) at basis centre.
f. Maximum & Minimum value of daily futures price volatility and spot price volatility along with disclosure of methodology adopted for computing the volatility.
g. Number of times the futures contract was in backwardation/contango by more than 4% for the near month contract in the period under review

4) Other parameters

a. Qualitative and quantitative measure for Hedge effectiveness ratio and basis Risk (Volatility of Basis) along with disclosure of methodology adopted for such calculations.
b. Details about major physical markets of the commodity vis-à-vis market reach in terms of availability of delivery centers (information to be provided state-wise and UT-wise).
c. Details about major physical markets of the commodity and average Open Interest for each month generated from those regions.
d. Details, such as number and target audience, of stakeholders' awareness programs carried out by the exchange.
e. Steps taken / to be undertaken to improve hedging effectiveness of the contracts as well as to improve the performance of illiquid contracts.

5) Any other information to be disclosed as deemed important by the exchange or as suggested by the PAC.

Annexure 2d - Clubbing of Open Positions

A. Guidelines for Clubbing of Open Positions:

1) When a person is a partner in one or more partnership firms and /or is a director in one or more companies and/or is a manager(karta) of a Hindu Undivided Family (HUF), the total open position of
    a. the person as an individual operator,
    b. the firm or firms in which he is a partner;
    c. the Company or companies in which he is a director; and
    d. the HUF of which he is a manager(karta)

    taken together shall not exceed the prescribed limit.

2) Where two or more persons are partners in a partnership firm or firms and where two or more persons are director in a company or companies and where two or more persons are Kartas of HUFs, the total open position held by
    a. all the partners of partnership firm or firms;
    b. the concerned partnership firm or firms;
    c. all the directors of the company or companies;
    d. the concerned company or companies;
    e. all the Kartas of the HUFs; and
    f. the concerned HUFs

    taken together shall not exceed the limit as mentioned above.

3) Where a person or persons operating as individuals and /or being partners in one or more partnership firms and/or being directors in one or more companies and/or being kartas of HUFs are also trustees in one or more trusts, the total open position of
    a. the person as individual operator,
    b. the firm or firms in which they are partners;
    c. the company or companies in which they are directors;
    d. the HUFs in which they are Kartas; and
    e. the trust or trusts in which they are trustees,

    taken together shall not exceed the limit as mentioned above.

    Provided that, if at any time more deliveries than one are running in the same commodity, the above limit shall apply to the combined open position of the member or the non-member, as the case may be, in all such deliveries running concurrently.

4) Open position of a member shall be the total of the open position acquired by him by trading through or with other member and by appropriating the business of his clients (collectively for all clients).

5) The open position of a non-member shall be the total of the open position acquired by him trading through or with one or more members.

B. Exemptions from Clubbing

1) In the agriculture marketing set up of the rural India, co-operative societies play a crucial role. Primary Agriculture Marketing Societies registered under the state cooperative Acts, thus, are active in different agricultural commodities. These societies are also member of Federations at the State and National level. Due to this Federal structure there may be some instances when these societies have common Directors. Also, the persons from State Governments/RCS may be nominated as Directors in these societies. In view of this, the position of different societies if they are members of a Federation will not be clubbed with the open interest position of the Federation for the purpose of determining the open interest position of the Federal or vice versa. Similarly, if Govt/RCS nominated directors sits on the Boards of different societies, this will not amount to common interest for the purpose of clubbing of positions.

2) As a practice of good corporate governance, the companies now have independent directors on their Board with no financial interest in the company. Similarly, companies also have Govt/Financial Institutions nominated Directors without any financial interest in the company. In such cases, when the Directors don't have any financial interest in the company. The Commission has taken a view that the position of such companies/corporates may not be clubbed just because they have common directors.

C. The above stated guidelines are indicative only. The Exchanges are directed to take suitable measures for clubbing of open positions on the basis of the criteria laid down above and also include other criteria such as PAN, patterns such as 'acting in concert' through common ownership and control structures and any other relevant criteria to club open positions that may be observed during the course of regular monitoring and surveillance that may appear to compromise market integrity.

Annexure 2e - Position Limit Violation

The following penal provisions are made to discourage/ prevent open interest violations at Commodity level / near month contract level-

1) Monetary penalty on the concerned member for violations in the open interest (either on own account or on account of clients) are linked to the quantum/ value of violation committed and to be charged from the concerned member for each such violation as under:

   a. Where the violation is more than 2% of the prescribed limit(s) –
   Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is higher.

   b. Where the violation is up to 2% of the prescribed limit(s) –

Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is lower.

c. The member has to ensure reduction in position and to bring it within the prescribed limit(s) by the next trading day after the day of violation. In case such violation continues, the Exchange would square-off the excess position without any further notice to the member by putting the orders on behalf of the member in that client code and will not be responsible for the consequences of such action

2) In case, the instance at 1 (a) above is observed for more than 3 times in a month across the market, the Exchange would suspend the concerned member for a period of one week. For instances at 1 (b) above, the Exchange may devise its norms to deal with habitual defaulters.

3) Further, in case repeated violations of such nature are observed by SEBI, SEBI may consider action against the concerned Exchange.

The monetary penalty as stated above, will be credited to the Investor Protection Fund of the Exchange.

Annexure 2f - Format for Dissemination of Information on Website

Commodity	***Units***	***Source of Data***	***Average Deliverable Supply during past five Financial Year***				***Classification***	***Deliverable Supply during Financial Year***			***Member Limit****		***Client Limit***		***Overall Exchange wide limit***
			Production	***Import***	***Total***	***Total (in Cr)***	***(Board / Narrow/ Sensitive)***	***Production***	***Import***	***Total***	***Overall***	***Near Month***	***Overall***	***Near Month***	
			In Units												

** A member's open interest limit at overall (all contracts) level will be either the absolute number indicated above or 15% of the total market wide open position in the commodity, whichever is higher. (As per para 2.5.4.2.1)*

Annexure 2g - Client Level Numerical Position Limits for Non-Agricultural Commodities

Sr.	***Commodity***	***Unit***	***Client Level Numerical Position Limit for Overall Commodity***
1.	Aluminum	MT	25,000
2.	Brent Crude Oil	BBL	400,000
3.	Copper	MT	7,000
4.	Crude Oil	BBL	480,000
5.	Gold	Kgs	5,000
6.	Lead	MT	3,500
7.	Natural Gas	mmBtu	6,000,000
8.	Nickel	MT	1000
9.	Silver	MT	100
10.	Steel	MT	120,000
11.	Zinc	MT	7,000

12.	Electricity	MWh	3,00,000

Annexure 2h – Disclosure of Hedge position

S.no	Name of the commodity	Hedger	Long Hedge Limits	Short Hedge Limits	Date of making application	Application Approval Date	Approval start date	Date till approval is valid
1.		Hedger 1						
2.		Hedger 2						

Annexure 2i - Checklist of information/details for launch of new contract

Serial Number	Information required	Comments
1	**GENERAL-** Justification for introducing of futures trading in the commodity including its relevance /importance to the economy (in brief) with **information for preceding 3 financial years** on :	
a.	Its annual production	
b.	Import-export data	
c.	Details of domestic consumption	
d.	Main area of cultivation	
e.	Patterns of consumption/utilization	
f.	Commercialization rate (annual exports/annual supply)	
g.	Crop cycle	
h.	Warehouse facilities in the cultivation area	
i.	Preferred trade quantity in physical market	
j.	Shelf-life of the commodity	
k.	Global level production / consumption figures, major exporting & importing countries with figures	

Serial Number	Information required	Comments
l.	Monthly price movement in futures market –both domestic and international for last 3 years	
m.	Prevailing spot prices in the domestic physical market in the last three years and immediate 3 preceding months prior to the application	
n.	Which are the other exchanges where the proposed contract is already being traded and its/ their respective market share in terms of volumes & percentage of trades (estimated)?	
o.	Value Chain of the commodity	
p.	Degree of standardisation	
q.	Political sensitivity/price controls	
r.	Whether commodity is under purview of Essential commodities act / APMC Act / The Food Control Regulation Act etc.	
s.	Geographical coverage	
t.	Correlation with International Market	
u.	Seasonality	
v.	Price Volatility	
2	**CONTRACT Specifications with reasons**	
a.	Lot size	
b.	Tick size	
c.	Period of the contract (one month, two months, etc.)	
d.	Quality standards (should meet FSSAI standards and any other statutory prescribed standards)	
e.	Lean period	
f.	Basis Centers	
g.	Mechanism for allocation of delivery on the Exchange platform in a transparent manner	
h.	Rationale behind adopting “intention matching contract” as against “compulsory delivery” contract, if the case is so, in the proposed contract.	
i.	Mechanism of spot price polling –whether AGMARK prices used to track spot prices-other measures/precautions taken to ensure transparency and credibility	
j.	Settlement system with settlement price formula	

Serial Number	Information required	Comments
k.	Trading units and Delivery units	
3.	**EXPECTED PARTICIPATION IN THE CONTRACT**	
a.	Hedgers participation	
b.	Warehouse participation	
c.	What efforts Exchange had made to educate hedgers / market participants about the contract	
4.	**COST OF TRADING IN CONTRACT :-**	
a.	Details of Delivery Centers, their respective storage capacity, and price neutralization formula for non-preferred delivery centers etc.	
b.	Detailed break-up of charges proposed to be levied by the Exchanges for trading / warehouse for storage / delivery charges and cost in respect of failed deliveries, etc.	
5.	**MARKET SURVEILLANCE AND RISK MANAGEMENT :–**	
a.	Permitted price variation in a day	
b.	Open position limits in respect of client, member and market as a whole	
c.	Checks and balances for high frequency/ Algo trades	
d.	Initial margin, M -o-M margin, and conditions under which special / additional margins could be levied by Exchanges	
e.	Settlement / trade guarantee	
f.	Staggered delivery system	
6.	Status of awareness programmes for Hedgers/Potential Hedgers/Industry Associations / processors etc. organised during last 1 year.	
7.	ANY OTHER COMMENTS/ EXPLANATIONS TO OFFER, IF ANY (IN BRIEF)	

Annexure 2j - Categorization of contract specification parameters in commodity derivatives contracts

Category	***Type of Modification***	***Parameter***	***Number of days of advance intimation to be given to SEBI and market participants***
Category A	Non-material modifications which can be made at the exchange level in yet to be launched and running contracts	• Symbol • Description • Contract Commencement Day**(Y/L)** • Quotation/Base value **(Y/L)** • Maximum Order Size • Tick Size (Minimum Price Movement) • Strike Interval **(Y/L)** • Number of Strikes • Initial Margin • Extreme Loss Margin • Delivery Period Margin • Pre-expiry Margin • Other Margins • Underlying Quotation **(Y/L)**	10 days
Category B	Material modifications which can be made at the exchange level in yet to be launched contracts or running contracts which have nil open interest.	• Last Trading Day /Due Date/Expiry Date# • Trading Unit • Price Quote (Basis) • Delivery Centre • Delivery Unit • Additional Delivery Centre(s)	10 days[70]

[70] Circular no. SEBI/HO/CDMRD_DOP/P/CIR/2021/592 dated July 08, 2021
Prior to the amendment, the requirement was of 30 days.

Category	*Type of Modification*	*Parameter*	*Number of days of advance intimation to be given to SEBI and market participants*
	These modifications shall require approval from Product Advisory Committee and approval of Regulatory Oversight Committee to be obtained post facto.	• Quality Specifications • Quantity Variation • Tolerance Limit • Trading Session • Premium/Discount • Underlying Price Quote (basis) • Maximum Allowable Open Position	
Category C	Material modifications which can be made only after approval from SEBI. These modifications shall require deliberations and approval from Product Advisory Committee and Regulatory Oversight Committee before seeking permission from SEBI.	• Contract Launch Calendar • Trading Period • Aggregate Daily Price Limit • Delivery Logic • Settlement of Contract/ Settlement Logic/Final settlement Method Exercise of Options • Mechanism of Exercise • Due Date Rate (Final Settlement Price) • Tender Period • Start Date of Near Month Staggered Delivery Period/Tender Period • Option Type	10 days[71]

[71] Circular no. SEBI/HO/CDMRD_DOP/P/CIR/2021/592 dated July 08, 2021
Prior to the amendment, the requirement was of 30 days.

(Y/L)-Modification can only be carried out in yet to be launched contracts

#However in case of advancement of expiry date of running contract due to physical market being closed in the notified basis centre on the expiry day of the contract due to sudden events like festivals, strikes, erratic weather conditions etc, the decision can be taken by the Exchange with the prior approval of Managing Director of the Exchange. Further, decision about such advancing of expiry date of running contract shall be intimated to the trade participants by giving adequate notice before the revised expiry date.

10. REFERENCE – List of Circulars

S. No.	Circular/Communication Details
1	Circular No. SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018
2	Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2018/155 dated December 17, 2018
3	CIR/MRD/DoP-1/P/00108/2018 July 05, 2018
4	SEBI/HO/MRD/DRMNP/CIR/78 May 04, 2018
5	SEBI/HO/MRD/DRMNP/CIR/P/2018/75 May 02, 2018
6	SEBI/HO/MRD/DP/CIR/P/2018/67 April 11, 2018
7	SEBI/HO/MRD/DP/CIR/P/2018/50 March 15, 2018
8	SEBI/HO/MRD/DRMNP/CIR/P/2018/27 dated February 20, 2018
9	CIR/MRD/DRMNP/008/2018 January 08, 2018
10	SEBI/HO/MRD/DP/CIR/P/2017/102 dated September 13, 2017
11	Circular No. SEBI/HO/MRD/DP/CIR/P/2017 /98 dated August 31, 2017
12	Circular No. SEBI/HO/MRD/DP/CIR/P/2017/63 dated June 28, 2017
13	SEBI/HO/MRD/DRMNP/CIR/P/2017/32 April 18, 2017
14	SEBI/HO/MRD/DP/CIR/P/2016/143 dated December 27, 2016
15	CIR/MRD/DRMNP/65/2016 dated July 15, 2016
16	SEBI/HO/MRD/DP/CIR/P/2016/60 June 22, 2016
17	March 09, 2016 - Introduction of Exchange Traded Cross Currency Derivatives contracts on EUR-USD, GBP-USD and USD-JPY currency pairs and Exchange Traded Option contracts on EUR-INR, GBP-INR and JPY-INR currency pairs.
18	January 15, 2016 - Revised Position Limits for Currency Derivatives Contracts.
19	July 13, 2015 - Review of minimum contract size in equity derivatives segment.
20	June 12, 2015 - Exchange Traded Cash Settled Interest Rate Futures (IRF) on 6 year, 10 year and 13 year Government of India (GoI) Security.
21	April 08, 2015 - Revision of limits relating to requirement of underlying exposure for currency derivatives contracts
22	October 21, 2014 - Modification of client codes of non-institutional trades executed on stock exchanges (All Segments)
23	September 15, 2014 - Position Limits for Mutual Funds in 10-year Interest Rate Futures (IRF)
24	January 20, 2014 - FII Position Limits in Exchange Traded Interest Rate Futures (IRF)
25	December 05, 2013 - Exchange Traded Cash Settled Interest Rate Futures (IRF) on 10-Year Government of India Security.
26	July 08, 2013 - Revised Position Limits for Exchange Traded Currency Derivatives.
27	March 20, 2013 - Acceptance of Corporate bonds and Government securities as collateral from FIIs
28	Dec 19, 2012 - Requirement of Base Minimum Capital for Stock Broker and Trading Member
29	Nov 20, 2012 - Mini derivative (Futures & Options) contract on Index (Sensex & Nifty)
30	Jul 23, 2012 - Revision of Eligibility Criteria for Stocks in Derivatives Segment
31	May 23, 2012- Revised Position Limits for Trading Member (Banks) in Exchange Traded USD:INR derivative contracts

S. No.	Circular/Communication Details
32	December 30, 2011–Interest Rate Futures on 2-year and 5-year Government of India Security
33	Aug 10, 2011-Short-collection/Non-collection of client margins (Derivatives Segments)
34	Jul 05, 2011-Modification of Client Codes of Non-institutional Trades Executed on Stock Exchanges (All Segments)
35	Jun 02, 2011-Liquidity enhancement schemes for illiquid securities in equity derivatives segment
36	May 13, 2011-Self Clearing Member in the Currency Derivatives Segment
37	March 7, 2011-Futures on 91-day Government of India Treasury-Bill (T- Bill)
38	Jan 11, 2011-Introduction of Derivative Contracts on Foreign Stock Indices
39	Oct 27, 2010- European Style Stock Options
40	Jul 30, 2010- Options on USD-INR Spot Rate
41	Jul 15, 2010- Physical Settlement of Stock Derivatives
42	Jul 07, 2010- Revised Exposure Margin for Exchange Traded Equity Derivatives
43	May 04, 2010- Introduction of Index options with tenure up to 5 years
44	Apr 27, 2010- Introduction of derivative contracts on Volatility Index
45	Jan 19, 2010- Currency Futures on Additional Currency pairs
46	Jan 11, 2010- Market Wide Position Limits across Stock Exchanges
47	Jan 08, 2010- Standardized lot size for derivative contracts on individual securities
48	Dec 22, 2009- Delivery Period for Interest Rate Futures
49	Nov 13, 2009- Expiry Date for Equity Derivative Contracts
50	Oct 23, 2009- Trading Hours on Stock Exchanges
51	Aug 28, 2009- Exchange traded Interest Rate Futures
52	Mar 24, 2009- Revised Position Limits for Exchange Traded Currency Derivatives
53	Dec 02, 2008- Cross Margining across Exchange traded Equity (Cash) and Exchange traded Equity Derivatives (Derivatives) segments
54	Nov 06, 2008- Issuance of Electronic Contract Notes in Equity Derivatives Segment
55	Oct 20, 2008- Revised Exposure Margin for Exchange Traded Equity Derivatives
56	Oct 15, 2008- Revised Exposure Margin for Exchange Traded Equity Derivatives
57	Oct 06, 2008 -Eligibility criteria for introduction of derivatives on shares
58	Aug 08, 2008- Extending calendar spread treatment till expiry of the near month contract
59	Aug 06, 2008- Exchange Traded Currency Derivatives
60	Jan 15, 2008- Introduction of Volatility Index
61	Jan 11, 2008- Introduction of Index options with longer tenure
62	Dec 27, 2007- Introduction of mini derivative (Futures and Options) contract on Index - Sensex and Nifty
63	Sep 11, 2007- Circular on acceptance of Foreign Sovereign Securities as collateral from Foreign Institutional Investors (FIIs) for Exchange Traded Derivative Transactions
64	Feb 15, 2006- Clarification to Circular No. DNPD/Cir-31/2006 dated January 20, 2006
65	Jan 20, 2006- Modification of the Trading Member/FII/Mutual Fund position limits for stock based exchange traded derivative contracts
66	Jan 20, 2006- Review of the eligibility criteria of stocks for derivatives trading especially on account of corporate restructuring

S. No.	Circular/Communication Details
67	Sep 14, 2005- Trading by Mutual Funds in Exchange Traded Derivative Contracts
68	Nov 22, 2004- Clarification on the definition of institutional trades and use of physical contract note
69	Sep 28, 2004- Modifications in the STP messaging formats on account of implementation of the Securities Transaction Tax STT
70	Jul 16, 2004- Risk containment measures, position limits and the broad eligibility criteria of Stocks and Index on which futures and options could be introduced
71	Jul 08, 2004- Clarification for circular no. DNPD/Cir-25/04 dated June 10, 2004
72	Jun 10, 2004- Transaction work flow for the system of Straight Through Processing in the Indian Securities Market and standardisation of the messaging formats
73	May 26, 2004- Straight Through Processing Service in the Indian Securities Market
74	Apr 01, 2004- Mandatory use of STP system for all institutional trades executed on the stock exchanges
75	Mar 09, 2004- Trading by FIIs and NRIs in Exchange Traded Interest Rate Derivative Contracts
76	Feb 25, 2004- Issuance of Electronic Contract Notes - Debt Market
77	Feb 23, 2004- Minimum contract size for Exchange traded derivative contracts
78	Feb 06, 2004- Recognition of credit ratings given by reputed foreign credit rating agencies
79	Feb 03, 2004- Issuance of Electronic Contract Notes
80	Jan 05, 2004- Scheme for introduction of Exchange Traded Interest Rate Derivative Contracts on a basket of Government Securities
81	Oct 29, 2003- Trading by FIIs and NRIs in Exchange Traded Derivative Contracts
82	Apr 29, 2003- Issuance of Contract Notes in electronic form
83	Apr 19, 2003 -Circular-Scheme for introduction of Exchange Traded Interest Rate Derivative Contracts
84	Mar 13, 2003- Monthly Reporting Format-Circular
85	Dec 18, 2002- Adjustment in stock option contracts and single stock future contracts at the time of corporate actions
86	Dec 18, 2002- Review of recommendations of Dr. L. C. Gupta Committee on Derivatives.
87	Dec 18, 2002- Risk containment measures and broad eligibility criteria of stocks on which stock options and single stock futures could be introduced
88	Oct 03, 2002- Introduction of Straight Through Processing
89	May 13, 2002- Format of the Monthly Reporting Format
90	Feb 12, 2002- Scheme of FII Trading in all Exchange Traded Derivative Contracts
91	Nov 02, 200-1 Scheme for introduction of Single Stock Futures and the Risk Containment Measures
92	Aug 24, 2001- Reporting of derivative transactions to the media and the newspapers
93	Jun 21, 2001- Adjustment of Corporate Actions for Stock Option
94	Jun 20, 2001 -Reporting of option contracts to SEBI
95	Jun 20, 2001 -Risk containment measures for Stock Option
96	Feb 13, 2001 -SMDRP/Policy/Cir-10/2001
97	Dec 15, 2000 -Use of Digital Signature on Contract Notes
98	Dec 11, 2000- Risk containment measures for Option on Indices

S. No.	Circular/Communication Details
99	Jun 20, 2000- Daily reports for trading and settlement of derivative trades
100	May 31, 2000- Circular No.8726
101	Jul 28, 1999 -Risk Containment Measures for the Index Futures Market
102	Dec 03, 1998- Client Registration Form, Client Agreement, Clearing Member - Trading Member Agreement and Risk Disclosure Document for Derivatives Segment
103	Jun 29, 1998- Circular No.1847- Guidelines on Conduct of Certification Examination
104	Jun 16, 1998- Derivatives trading in India
105	Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/88 dated August 01, 2019
106	Circular No. SEBI/HO/MRD/CIR/P/2019/103 dated September 26, 2019
107	Circular No. IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019
108	Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/128 dated November 08, 2019
109	Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/27 dated February 24, 2020
110	Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
111	SEBI Email dated May 4, 2020 on Rationalisation of Strikes on Long dated options
112	Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated Jul 20, 2020
113	Circular No. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021
114	Circular No. SEBI/HO/MRD2_DCAP/P/CIR/2021/626 dated September 07, 2021
115	Circular No. SEBI/HO/MRD2/DCAP/P/CIR/2022/0022 dated February 24, 2022
116	Circular No. SEBI/HO/MRD2/MRD2_DCAP/P/CIR/2022/90 dated June 28, 2022
117	Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors dated December 19, 2022.
118	Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/11 dated January 10, 2023
119	Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/016 dated February 01, 2023
120	Press Release No. 18/2020 dated March 20, 2020
121	Press Release No. 59/2020 dated November 25, 2020
122	SEBI letter SEBI/HO/MRD2/2021/11510/01 dated June 03, 2021
123	SEBI letter SEBI/HO/MRD/11350 dated April 12, 2018
124	MIRSD/ON/114/2013 dated April 05, 2013
125	SEBI Email dated May 4, 2020 on Rationalisation of Strikes on Long dated options
126	Circular No. CIR/MRD/DP/12/2014 dated April 07, 2014
127	Circular No. CIR/MRD/DP/20/2014 dated June 20, 2014
128	Circular No. CIR/MRD/DP/17/2015 dated October 08, 2015
129	Circular No. SEBI/ HO/MRD/DOPI/CIR/P/2019/28 dated February 08, 2019
130	Circular No. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021
131	Circular No. SEBI/HO/MRD2_DCAP/P/CIR/2021/626 dated September 07, 2021
132	Circular No. SEBI/HO/MRD2/DCAP/P/CIR/2022/0022 dated February 24, 2022
133	Circular No. SEBI/HO/MRD2/MRD2_DCAP/P/CIR/2022/90 dated June 28, 2022
134	Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors dated December 19, 2022.
135	Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/11 dated January 10, 2023

S. No.	Circular/Communication Details
136	Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/016 dated February 01, 2023
137	Press Release No. 18/2020 dated March 20, 2020
138	Press Release No. 59/2020 dated November 25, 2020
139	SEBI letter SEBI/HO/MRD2/2021/11510/01 dated June 03, 2021
140	SEBI letter SEBI/HO/MRD/11350 dated April 12, 2018
141	MIRSD/ON/114/2013 dated April 05, 2013
142	SEBI Email dated May 4, 2020 on Rationalisation of Strikes on Long dated options
143	Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/24 dated April 23, 2024
144	Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29 2024
145	SEBI Letter SEBI/HO/MRD/MRD-POD-2/P/OW/2024/ 6845/1 dated February 21, 2024
146	Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/116 dated August 30, 2024
147	Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2024/132 dated October 01, 2024
148	Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/140 dated October 15, 2024
149	Circular No SEBI/HO/CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016
150	Circular No SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017
151	Circular no. CDMRD/DMP/CIR/32/2016 dated January 29, 2016
152	Circular No SEBI/HO/CDMRD/DMP/CIR/P/2018/96 dated June 11, 2018
153	Circular NO. SEBI/HO/CDMRD/DMP/CIR/P/2016/71 dated August 19, 2016
154	Circular no SEBI/HO/CDMRD/DMP/CIR/P/2017/61 dated June 21, 2017
155	Circular no. SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131 dated September 29, 2022
156	Circular no SEBI/HO/CDMRD/DMP/CIR/P/2020/05 dated January 16, 2020
157	Circular no SEBI/HO.CDMRD/DMP/CIR/P/2017/55 dated June 13, 2017
158	Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2022/01 dated January 03, 2022.
159	Circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/71 dated June 18, 2019
160	Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2022/34 dated March 24, 2022
161	Circular No. CIR/CDMRD/DRMP/CIR/2016/88 dated September 20, 2016
162	Circular no. SEBI/HO/CDMRD/DOP/CIR/P/2019/135 dated November 14, 2019.
163	Circular no. SEBI/HO/CDMRD_DOP/P/CIR/2021/592 dated July 08, 2021
164	Circular no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2025/087 dated June 12, 2025
165	Circular no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/61 dated May 27,2024
166	Circular no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/69 dated May 30, 2024
167	Circular no SEBI/HO/MRD/TPD-1/P/CIR/2025/76 dated May 26, 2025
168	Circular no SEBI/HO/MRD/TPD-1/P/CIR/2025/41 dated March 28, 2025
169	Circular no SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025

S. No.	Circular/Communication Details
170	Circular no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/13 dated March 05, 2024
171	Circular no SEBI/HO/MRD/TPD-1/P/CIR/2025/122 dated September 01, 2025

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