**ANNEXURE 1**

**Details of the Liquidity Enhancement Scheme (LES)**

1. **Securities Eligible under LES –**

* S&P BSE SENSEX 50 Options contracts.

1. **Designated Primary Market Maker application & selection process in S&P BSE SENSEX 50 Weekly Options Contracts –**

* Members willing to be appointed as a designated primary market maker (DPMM) shall be required to submit their bid for designated primary market maker in exchange prescribed format between the dates specified by the Exchange in the BEFS Portal.
* LES shall be applicable from date as may be specified by the Exchange.
* The detail of the market making application process and selection of market makers are mentioned below -

1. Exchange shall invite bids from market participants as per below for DPMM in S&P BSE SENSEX 50 Weekly options contracts.
2. Interested members can submit the bid for DPMM as specified above.
3. Members need to clearly mention the unique client code (UCC) in which they intend to do market making. Each member shall be allowed to apply for market making in only one client code. In case, member wants to modify unique client code (UCC), member can do so by sending requisite email to exchange.
4. Only one bid per DPMM category per member shall be permitted.
5. The bids received from the trading members of the Exchange shall be evaluated on an objective selection criterion.
6. Bids are invited for full day presence session, however DPMM shall be required to maintain minimum specified presence requirement for the individual sessions to avail additional incentives.
7. **Bidding criteria as DPMM for S&P BSE SENSEX 50 Weekly Options Contract –**

**3.1** Basic bidding criteria for DPMM in S&P BSE SENSEX 50 Weekly Options Contracts

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| --- | --- | --- |
| Basic bidding criteria for DPMM in S&P BSE SENSEX 50 Weekly Options (Combined obligation to quote current week & near week both) | | |
| **Minimum Obligation** | **S&P BSE SENSEX 50 Options** | **Increase in Points** |
| Minimum Presence Requirements (average presence of eligible strikes – Main strikes & Other strikes) | 80% | For every additional 1% between 81% to 85%, score will be increased by 25 points  For every additional 1% between 86% to 90%, score will be increased by 100 points  For every additional 1% between 91% to 95%, score will be increased by 250 points |
| Minimum Quantity of contracts on touchline | 2 Contracts | For every additional 1 contract between 3 to 4 contracts, score will be increased by 100 points per incremental contract.  For every additional 1 contract above 5 contracts, score will be increased by 250 points per incremental contract. |

* Points will be calculated on incremental count based on the above slabs.

**3.2 General guidelines for bidding as DPMM -**

1. Bidding criteria, as mentioned above, is the basic required criteria for bidders. Interested members may offer better bids to be considered for selection as a DPMM. After appointment as a DPMM, the respective DPMM shall have to fulfill quoting obligation as per their submitted bid.
2. Based on the total scores, best bidder of DPMM of S&P BSE SENSEX 50 Weekly Options contract shall be appointed as DPMM.
3. Initial bid for S&P BSE SENSEX 50 Weekly Options contracts shall be submitted through BEFS Portal (or on email with password protected file in the specified format as may be specified).
4. Based on the initial evaluation of scores, if the scores of two or more members matches with each other, then Exchange shall allow respective members to resubmit the revised bids within Exchange specified timeframe. In such cases, member shall be required to submit revised bids thru email with password protected file and shall be required to share the password only after the lapse of cut off time as may be specified by the Exchange.
5. In the event of DPMM’s appointment anytime between / during the month, DPMM’s quoting obligation to start from the date of appointment, and the DPMM shall be eligible to receive incentive on pro rata basis subject to terms and conditions specified in the scheme.
6. Similarly, in case of withdrawal by DPMM anytime between / during the month, such DPMM shall be eligible for Pro-rata payment of quoting / Trading / Open Interest Incentives (as may be applicable) for the appointment period irrespective of the monthly qualifying criteria.
7. For S&P BSE SENSEX 50 Options –
8. Nearest Strike to Close price with “0” at 10th Place value shall be considered as ATM Strike for LES purpose.
9. Nearest Strike to close price with “5” at the 10th place value shall not be considered as ATM Strike for LES Purpose (E.g. Strikes - 98**5**0, 99**5**0, 100**5**0,101**5**0,102**5**0 etc.).
10. E.g. If previous closing price is 10151, then nearest strike of 102**0**0 shall be considered as ATM Strike (Strike 102**0**0 has “0” at 10th place and will be considered as ATM Strike, however strike 101**5**0 shall not considered as ATM strike as the 10th place value is “5”).
11. Post selection of ATM Strike for LES, subsequent strike interval of 50 shall be considered for determining moneyness of ITM & OTM Strikes (E.g. if ATM is determined as 10200 as per above, then 10250, 10300 etc. shall be considered as OTM 1 & OTM 2 respectively for Call Options and vice versa for Put Options)
12. Incentive eligibility – Strikes with “5” at the 10th place value shall not be eligible for any type of Quoting Incentives, Trading Incentives & Open interest Incentives (E.g. 100**5**0, 101**5**0, 102**5**0 etc. shall not be eligible for any type of incentives).
13. Exchange decision with respect to the selection of DPMM shall be final and binding for all bidders.
14. Exchange reserves the right to suspend or discontinue any DPMM / in case of nonfulfillment of eligibility criteria or any mala fide intentions or interests observed on part of market maker by the Exchange.

**4. Quote based incentives & presence requirements for DPMM in S&P BSE SENSEX 50 Weekly Options -**

**4.1** Quote based incentives & presence requirements of S&P BSE SENSEX 50 Weekly Options for DPMM (Combined obligation to quote current week & near week both)

|  |  |  |  |
| --- | --- | --- | --- |
| **DETAILS** | **Daily (Rs)** | **No of Days** | **Monthly (Rs)** |
| Daily Quoting Incentives (except E - 1 & E Day of weekly contract) of current week contract | 270000 | 14 | 3780000 |
| E-1 Day Quoting Incentives | 500000 | 4 | 2000000 |
| E Day Quoting Incentives (Quoting in current week & near week is mandatory) | 500000 | 4 | 2000000 |
| Additional daily quoting incentive for presence in first half an hour (09:15 AM - 09:45 AM) - Minimum 50 % # | 60000 | 22 | 1320000 |
| Additional daily quoting incentive for presence in last half an hour (03:00 PM - 03:30 PM) - Minimum 50 % # | 41000 | 22 | 902000 |
|  |  |  |  |
| TOTAL - Daily quoting Incentives (Except E-1 & E Day) | 371000 | 14 | 5194000 |
| TOTAL - Daily quoting Incentives - For E-1 days | 601000 | 4 | 2404000 |
| TOTAL - Daily quoting Incentives - For E Days | 601000 | 4 | 2404000 |
|  |  | | |
| **TOTAL - Monthly Quoting Incentives (Rs)** | **1,00,02,000** | | |

* Above incentive calculation assumes of 22 working days in a calendar month. In case, there are more / less than 22 days in a calendar month or more / less than E-1 / E days in a calendar month, then incentives shall be paid accordingly.

**4.2 Quoting Incentives eligibility of DPMM in S&P BSE SENSEX 50 Weekly Options –**

1. DPMM shall be disqualified and shall not be eligible for quoting incentives in case of following –
   * Less than 50 % presence for more than 3 days in a calendar month.
   * Less than 75 % presence for more than 5 days in a calendar month.
   * Less than DPMM bid % presence for more than 10 days in a calendar month.
2. For presence calculations, presence of all a) Main strikes of current week & near week shall be added and then divided by minimum number of required strikes to arrive at average presence calculations.
3. Based on the average presence, following shall be applicable –

|  |  |  |
| --- | --- | --- |
| **Average Presence %** | **% Eligible Incentives #** | **Days Qualified status** |
| Less than 50% | 0% | Failed |
| Presence between 50 % and 75% | 50% | Qualified |
| Presence between 75 % and DPMM Bid % Presence | 75% | Qualified |
| Presence equal or more than DPMM bid % presence | 100% | Qualified |

1. For all trading Days - Presence of eligible strikes of Current Week & Near week shall be considered to arrive at the average presence.
2. DPMM shall be eligible for quoting incentives on pro-rata basis based on the days qualified subject to qualifying monthly criteria.
3. For days with DPMM average presence more than 50%, if DPMM has qualified session wise presence requirement, then such DPMM will be eligible to receive 100% of the eligible session wise quoting incentives (applicable for first session & closing session).

**4.3 Spread and number of contracts requirements for DPMM in S&P BSE SENSEX 50 Weekly Options –**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Bid price range** | **Maximum permissible spread between respective level bid ask (In Rs.)** | | | | | **Number of contracts at level 1 or DPMM bid, whichever is higher** | **Number of contracts at level 2** | **Number of contracts at level 3** | **Number of contracts at each level- Level 4 & Level 5** |
| **(Rs.)** | **Level 1** | **Level 2** | **Level 3** | **Level 4** | **Level 5** |
| 0.05 – 9.95 | 0.50 | 0.75 | 1.00 | 1.25 | 1.50 | 2 | 2 | 3 | 4 |
| 10 - 24.95 | 0.75 | 1.25 | 1.75 | 2.25 | 2.75 | 2 | 2 | 3 | 4 |
| 25 - 49.95 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 2 | 2 | 3 | 4 |
| 50– 74.95 | 1.25 | 1.75 | 2.25 | 2.75 | 3.25 | 2 | 2 | 3 | 4 |
| 75 - 99.95 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 2 | 2 | 3 | 4 |
| 100-149.95 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 2 | 2 | 3 | 4 |
| 150-199.95 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 | 2 | 2 | 3 | 4 |
| 200-249.95 | 3.00 | 4.00 | 5.00 | 6.00 | 7.00 | 2 | 2 | 3 | 4 |
| 250-299.95 | 4.00 | 5.00 | 6.00 | 7.00 | 8.00 | 2 | 2 | 3 | 4 |
| 300-399.95 | 5.00 | 6.00 | 7.00 | 8.00 | 9.00 | 2 | 2 | 3 | 4 |
| 400-499.95 | 6.00 | 7.00 | 8.00 | 9.00 | 10.00 | 2 | 2 | 3 | 4 |
| 500-699.95 | 7.00 | 8.00 | 9.00 | 10.00 | 11.00 | 2 | 2 | 3 | 4 |
| 700-899.95 | 8.00 | 9.00 | 10.00 | 11.00 | 12.00 | 2 | 2 | 3 | 4 |
| 900 and above | 12.00 | 14.00 | 16.00 | 18.00 | 20.00 | 2 | 2 | 3 | 4 |

Note - Level 1 bid price shall be used to determine the spread obligations as per above slab

**4.4 Spread and number of contracts requirements in S&P BSE SENSEX 50 Weekly Options for DPMM (Call and Put both)**

|  |  |  |
| --- | --- | --- |
| **Eligible strikes for quoting for DPMM (Call and Put both)** | | |
| All market days (Except E Day) | Current Week contracts (Call & put each) | **a) Main Strikes -** |
| ATM Strike as per LES criteria, |
| ITM 2, ITM 4 |
| OTM 2, OTM 4, OTM 6, OTM 8, OTM 10, OTM 12 |
| **b) Other Strikes -** |
| All eligible current week strikes with Open Interest (includes all ITM & OTM Strikes) |
|  | | |
| E Day | Current Week contracts (call & put each) | **a) Main Strikes -** |
| ATM Strike as per LES criteria, |
| ITM 2, ITM 4 |
| OTM 2, OTM 4 |
| **b) Other Strikes -** |
| All eligible current week strikes with Open Interest (includes all ITM & OTM Strikes) |
|  | |
| Near Week Contracts (call & put each) | **a) Main Strikes -** |
| ATM Strike as per LES criteria, |
| ITM 2, ITM 4 |
| OTM 2, OTM 4, OTM 6, OTM 8, OTM 10, OTM 12 |
| **b) Other Strikes -** |
| All eligible near week strikes with Open Interest (includes all ITM & OTM Strikes) |
| \* if offer price is <= 3.00, then no bid side order required. | | |

**-** For a normal trading, presence of all eligible strikes (main strikes & other strikes) shall be added and then shall be divided by count of eligible strikes to arrive at average presence. This average presence shall be considered to determine qualifying status for the day.

- Similarly, for expiry day, strikes of current week and near week both shall be considered as per above.

1. **Trading Incentives for all market participants in S&P BSE SENSEX 50 Weekly options contracts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Product | Strike | Rate of Incentive (on per crore notional turnover) | Trading incentive Daily Pool (Rs) | Monthly Trading Incentives (Rs) |
| All Participants (Rs) |
| S&P BSE SENSEX 50 Options – Weekly Contract | All eligible Strikes | 10.00 | 1,36,364 | 30,00,000 |

* Daily trading incentive pool shall be capped as per above amount, however monthly incentives shall be subject to actual trading days in a calendar month.
* Trading Incentives shall be applicable for all market participants in current week contracts only on all days, while on current week & near week contracts both on Expiry Day.

**6. Other terms and condition for SENSEX 50 Weekly Options –**

**6.1 Eligible strikes Definition for “Other strikes” –**

**-** Strikes with “0” at 10th Place value shall be considered as eligible strike for DPMM , if such strikes have open interest. If there is no open interest in such strike, then DPMM 1 is not required to quote such strikes. (e.g. if Calls 12000, 12100 etc. has open interest, then DPMM shall be require to quote such strikes).

- Strikes with “5” at the 10th place value shall not be considered as eligible strike and shall not part of DPMM obligations (E.g. Strikes - 98**5**0, 99**5**0, 100**5**0,101**5**0,102**5**0 etc. are non-eligible strikes).

**6.2 Incentive eligibility for all market participants** –

- Strikes with “5” at the 10th place value shall not be eligible for any type of Quoting Incentives, Trading Incentives & Open interest Incentives (E.g. 100**5**0, 101**5**0, 102**5**0 etc. shall not be eligible for any type of incentives).

**7. Qualification & failure criteria for DPMM in S&P BSE SENSEX 50 Options contracts –**

1. In case appointed designated primary Market Maker (DPMM) is not willing to participate as DPMM or not able to fulfill the eligibility criteria, DPMM shall be required to officially inform exchange about the same.
2. In above cases, Next best bids based on the evaluation parameter shall be given opportunity to become Designated Primary Market Maker on Immediate basis or maximum 3 working days. DPMM shall be required to provide Go Live date to exchange within 1 working day.
3. Post completion of giving opportunity to the bids received to act as DPMM, exchange at its sole discretion reserves the right to invite fresh bids from market participants or to continue with the existing set of bids on a round robin basis. In case, exchange invites fresh bids, bids shall be evaluated based on the scores and appointment process of DPMM shall be based on the same.
4. In case of amendment / changes in the contract specification of S&P BSE SENSEX 50 Contract including change in expiry, DPMM shall have a choice to withdraw / continue with the quoting obligations. However, Exchange shall reserve the right to invite fresh bids by issuing requisite notice (if required).
5. Exchange reserves the right to suspend or discontinue the existing designated primary market maker in case of nonfulfillment of eligibility criteria or any mala fide intentions / interests observed on part of the DPMM by the Exchange.
6. Exchange decision shall be final and binding for all market participants.
7. Daily session wise quoting incentive shall be subject to fulfillment of full day quoting obligations by DPMM.
8. Incentive will be paid on pro-rata basis once the daily incentive cap is breached.
9. Monthly incentives have been calculated considering 22 working days in a month, actual payout will be subject to number of working days in a calendar month.
10. DPMM need to maintain 2-way quotes in accordance with the quoted obligations by the member.
11. DPMM need to provide minimum number of bid and offer contracts at level 1 as per their own bid for level 1 quoting.
12. Presence would be monitored by exchange on daily and monthly basis and payout shall be subject to qualifying monthly obligation criteria. Monthly criteria shall not be applicable in case of withdrawal by DPMM anytime during the month and DPMM shall be eligible for pro-rata incentives as applicable.
13. DPMM will be exempted from quoting obligation on bid side in the eligible strikes, where the DPMM offer price is Rs. 3.00 or less.

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