

LEIPS-IV

(Effective from 2nd May 2012)

Pursuant to SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011 (BSE Notice no-20110602-18, dated June 02, 2011), permitting stock exchanges to introduce Liquidity Enhancement Schemes (LES) for illiquid securities in their equity derivatives segment, the Exchange has launched a series of **Liquidity Enhancement Incentive Programmes (LEIPS)** with the goal of creating lasting, self-sustaining liquidity in BSE's Futures & Options Segment.

With effect from 2nd May 2012, the Exchange is launching a new programme - LEIPS IV in series of LEIPS Programmes. The programme focuses on Futures contracts on Sensex, Bankex Indices .

The programme incentivizes both MMs and GMPs by payment of cash for their participation as per prescribed terms and conditions. Active trading members of Futures & Options segment of the Exchange who have already signed up in LEIPS-II programme as General Market Participant (GMP) shall be treated as GMPs in LEIPS-IV programme as well. Similarly, Market Makers (MMs) who have registered as MMs in LEIPS-II programme for SENSEX Futures and BANKEX Futures shall automatically qualify to be a MM in LEIPS-IV programme.

LEIPS-IV envisages the MMs to have a continuous quoting obligation with specified size and spread in SENSEX Futures and BANKEX Futures contracts. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives paid on pro rata basis to MMs and GMPs
2. Quote based incentive for MMs
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
4. Lower transaction fees for all active trading members

LEIPS-IV programme shall remain in force till 1st November 2012 i. e. 6 months.

The Exchange monitors performance of the programme including presence of MMs and their compliance with the quote obligations through a mix of online and offline monitoring tools. The Exchange also publishes information on the programme from time to time as applicable vide SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011.

In accordance with the aforesaid SEBI circular the Exchange shall amend / discontinue the programme at any time with an advance notice of 15 days. Also, the programme shall be discontinued as soon as the average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.

For any further clarifications, please contact your designated Relationship Managers.

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Liquidity Enhancement Incentive Programme (LEIPS-IV) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE F&O segment. **LEIPS-IV focuses on SENSEX Futures and BANKEX Futures.** The programme incentivizes both MMs and GMPs by payment of cash for participating in the programme as per prescribed terms and conditions.

		Market Makers				General Market Participants			
Clause 1 – Incentives / Benefits	Trading Volume [†] Based Cash Incentive	Futures (Rs. /Cr.)				Futures (Rs. /Cr.)			
		Passive*		Active*		Passive*		Active*	
		Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
		1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
	Open Interest[#] Cash Incentive	Based on daily Exchange OI of futures on eligible securities/underlyings under this scheme. Payout structure - <ul style="list-style-type: none"> Till Exchange OI is less than or equal to Rs. 1600 Cr on any given trading day , Rs. 250 per Cr. of member OI If Exchange OI exceeds Rs. 1600 Cr on any given trading day, then for that day , incentive shall be paid from Pool of Rs. 4 Lakhs per day. 							
	1st Trade Incentive for customers	<ul style="list-style-type: none"> Rs. 100 /- to be paid only one time for each registered customer trading for the first time in BSE Futures and Options segment under all LEIPS schemes. Payment to be made to the member based on number of his distinct customers (based on registered UCCs) who have traded during the calendar month period. Up to first 5000 successfully registered customers by member in UCC system to be eligible to receive incentive. 							
	Quote Based Incentive for MMs	Based on fulfillment of Quote Obligations , qualifying MMs shall be paid respective incentives (as per spread,size & incentive Table 1 below) per day per MM till total of such payout reaches a daily pool of Rs. 12 Lakhs. Qualifying MMs to be paid incentives on pro-rata basis thereafter. MM has to qualify for any one of the spread size obligation. Maximum payout shall be Rs.100,000 per underlying index per MM. <p>Example—</p> <ol style="list-style-type: none"> If MM 'X' quotes 3 index point with the lot of 10 contracts for 85% of the trading time, the MM 'X' shall be eligible for Rs.100000 of quote based incentive. If the same MM 'X' also quotes with spread of 4 index points with lot of 10 contracts, in addition to Point 1 above for 85% of trading time then MM 'X' shall be eligible for only Rs.100,000 and not for Rs 175,000 (100000+75000) 							
	Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)					
		0		50					
Clause 2 – Obligations	Quote	Provide 2-way continuous quote during regular trading hours for 85% of trading time in market making futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). The only exceptions** shall be due to technical reasons and fast market conditions. Fulfillment of these quote obligation conditions is subject to the obligation conditions specified below. (**Exception— Market halts in a contract or underlying shall not be counted as trading hours)							
	Spread, Size & Incentive (Table 1)	2-way quote in any one or more market making contracts (as published by the Exchange on a daily basis) at any one of the spread size obligation listed below.						No Obligations	
		Maximum Spread	Lot (No. of Contracts)	Incentive in Rs.					
		3 Index Point	10	100,000					
		4 Index Point	10	75,000					
		5 Index Point	10	50,000					
		Maximum payout shall be Rs.100,000 per underlying index per MM.							
	Roll Period (5-days prior to expiry)	During the roll period, Market Maker shall be required to maintain quote obligations in both current month contracts and roll over contract as per Table 1 above.							
	After the daily volume cap is breached	MM shall required to quote as per size/spread obligations in Futures through out the day uniformly even after the volume incentive cap is breached.						No Obligation	

[†] Incentives are payable only for current , near and far month expiration on monthly futures contracts on eligible underlying

* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

Open Interest— Futures contracts that are not closed or delivered at the end of a particular day.

	Market Makers	General Market Participants
Clause 3	<p>Eligibility</p> <ul style="list-style-type: none"> Market Makers (MMs) who have registered as MMs in LEIPS-II programme for SENSEX Futures and BANKEX Futures shall automatically qualify to be a MM in LEIPS-IV programme. Members have to register with the exchange to participate as a MM Net worth of Rs. 1 Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	<ul style="list-style-type: none"> Active trading members of F&O segment of the Exchange who have already signed up in LEIPS-II programme as GMP shall automatically qualify as a GMP in LEIPS-IV programme Members who have not registered in LEIPS-II programme as GMP have to register with the Exchange
Clause 4	<p>Penalty— Monitoring Obligations</p> <ul style="list-style-type: none"> Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day. Exchange provides online system (https://leipsmm.bseindia.com) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity. Exchange reserves the right to render any member ineligible for further participation in the programme if they engage in activities that are detrimental to the development of the markets. 	<p>Exchange reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the markets</p>
Clause 5	<p>Incentive Ceilings</p> <p>Daily Caps —</p> <ul style="list-style-type: none"> Cash volume incentives paid upto a maximum volume of Rs. 1200 cr. in futures contracts on eligible securities/underlyings under this scheme. Volume incentive cap divided into 375 time period caps of 1 minute each Per Minute Volume Cap = Rs.3.2 Cr (Rs. 1200 Cr / 375 time period caps) Incentive to be paid on pro-rata basis on volume contributed by each member in particular time period cap Illustration: - Exchange turnover in 1 minute period = Rs. 5 Cr Per minute time period cap = Rs. 3.2 Cr Member Turnover = Rs. 2 Cr Incentive payout at GMP rates = $(3.2 * 2/5) * 1100 = Rs.1408$ Payouts per trade will be capped at maximum of 10 contracts for Futures 	
Clause 6	<p>Payment</p> <ul style="list-style-type: none"> Daily basis (for both MMs and GMPs) - at rate of Rs. 1,100 / Cr. Daily basis (for MMs) - quote based incentive as per Table 1 (spread, size & incentive) All cash payouts will be paid after TDS deductions. TDS certificate will be issued on quarterly basis Service Tax related to incentive payouts will be paid to the members upon submission of invoice 	
Clause 7	<p>Eligible Securities / Underlying</p> <ul style="list-style-type: none"> MMs shall apply for market making in Sensex Futures and Bankex futures The obligations / incentive payment in each underlying shall be administered separately . 	SENSEX and BANKEX
Clause 8	<p>Time Lines</p> <ul style="list-style-type: none"> Launch— 02 May 2012 The programme shall run till average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier. 	

Registration Form for Market Maker in LEIPS-IV

(Please print the form on next page on the official stationary of the member and
Submit it to your relationship manager.)

To,
Business Development Department,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration in LEIPS-IV as Market Maker

1. We _____ (name of the member / Clearing Number) are registering as 'Market Maker' (MM) in listed underlying and type (as indicated in Table 1—List of underlying for Market Making) in accordance to the terms and conditions stated in the LEIPS-IV – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-IV – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-IV – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-IV circular (as well as all circulars issued by SEBI and the BSE) to maintain the sanctity of the market place. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate this programme or amend or expand one or more of the conditions laid down in this circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:
Front Office Vendor: _____
Back Office Vendor: _____
7. Listed are the contact details of the designated person from our organization for all derivatives related transactions:
Name: _____
Designation: _____
Mobile: _____
Phone: _____
Email: _____

Name Position (Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id

Registration in LEIPS-IV as Market Maker (cont.)

Please indicate securities for which your firm is registering as market maker by putting a clearly marked “X” in the appropriate cell in the Table 1—List of underlying for Market Making (below). Your application shall be considered incomplete without this.

Table 1—List of Underlying for Market Making

Underlying	Futures
SENSEX	
BANKEX	

Registration Form for General Market Participant (GMP)

(Please print the form on next page on the official stationary (letter head) of the member and
Submit it to your relationship manager.

To,
Business Development,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration as General Market Participant (GMP)

1. We _____(name of the member / Clearing Number) would like to register in LEIPS programme as a General Market Participant.
2. We have read and understood the details of the LEIPS programme.
3. We are aware that we have to follow a separate registration process if we are interested to participate in LEIPS programme as a Market Maker.
4. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate or amend the programme or expand one or more of the conditions laid down in their circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:

Front Office Vendor: _____

Back Office Vendor: _____

7. Listed below are the contact details of designated person from our organization for all derivatives related transactions:

Name: _____

Designation: _____

Mobile: _____

Phone: _____

Email: _____

Name Position (of Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id