

LEIPS-VIII

(Effective from March 25,2013)

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 Derivative Segment.

Eighth Programme in the series LEIPS VIII was launched on January 16, 2013. The programme focuses on Single Stock Futures contracts on the 30 underlying scrips forming part of SENSEX .

The programme incentivizes both Market Makers (MMs) and General Market Participants (GMPs) by payment of cash for their participation as per prescribed terms and conditions.

Active trading members of Derivative Segment of the Exchange who have already signed up in LEIPS-VII programme as GMPs shall be treated as GMPs in LEIPS-VIII programme as well. Trading members who wish to opt out of the LEIPS-VIII programme as GMPs shall be required to intimate the Exchange of the same .

Registered Market Makers of LEIPS-VII & LEIPS-IX programme shall have to register themselves as a Market Maker in LEIPS- VIII programme & expressly indicate their interest to do Market Making in the underlying securities eligible under LEIPS-VIII programme.

Other active trading members of Derivative Segment of the Exchange can register themselves as a Market Maker (MM) or a General Market Participant (GMP) for this programme as well.

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in Single Stock Futures contracts on aforesaid underlyings. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Quote based incentives 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.

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.

LEIPS-VIII programme shall remain in force till July 15, 2013 i.e. 6 months.

In accordance with the aforesaid SEBI circular the Exchange may 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.

The Exchange has been regularly amending the terms and conditions of its LEIPS Programmes based on the overall progress of the programme, market feed back and policy changes.

With effect from March 25,2013, the Exchange proposes following key amendments in terms and conditions of LEIPS -VIII programme -

- ◆ Revision in open interest based cash incentives

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

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Liquidity Enhancement Incentive Programme (LEIPS-VIII) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivatives segment. **LEIPS-VIII focuses on Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX.** 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	Futures (Rs. /Cr.)																	
	Passive*				Active*													
	Buy		Sell		Buy		Sell											
	2,200		2,200		1,100		1,100											
Trading Volume[†] Based Cash Incentive Pro - rata basis																		
Quoting Based Cash Incentive and Retails customer incentive	Upon fulfillment of Quote Obligation, qualified MMs shall be paid cash incentives. For more details please refer to Annexure 1 overleaf. Retail customer incentive as per notice no 20130114-16 dated January 14,2013				Not Applicable													
Open Interest^{#†} Cash Incentive	Based on total daily OI across all members in Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX as per table 2 overleaf # [€] across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> Till above mentioned total OI is less than or equal to Rs. 200 Cr of member OI on any given trading day , Rs. 250 per Cr. of member OI If above mentioned total OI exceeds Rs. 200 Cr of member OI on any given trading day, then for that day , incentive shall be paid from Pool of Rs. 50,000 per day. 																	
Transaction Fees	Passive (Rs/Cr)				Active (Rs/Cr)													
	0				50													
Quote Obligation	Provide 2-way continuous quote for 75% of the time as per the slots defined (refer Annexure 1) on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). For more details on quote based incentive, please refer to Annexure 1 overleaf. 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 Specification	SENSEX 30 Stocks – (Current Month Contracts) <ul style="list-style-type: none"> Maintain spread-size as per Table A below: <table border="1" data-bbox="311 1355 1141 1657"> <thead> <tr> <th colspan="2">Table A: Spread-Size Specification for 30 Stocks of SENSEX as per Table 3 overleaf</th> </tr> <tr> <th>Percentage of Bid Price</th> <th>Minimum Lots (No. of Contracts)</th> </tr> </thead> <tbody> <tr> <td>0.1</td> <td>1</td> </tr> <tr> <td>0.2</td> <td>2</td> </tr> <tr> <td>0.3</td> <td>3</td> </tr> </tbody> </table>				Table A: Spread-Size Specification for 30 Stocks of SENSEX as per Table 3 overleaf		Percentage of Bid Price	Minimum Lots (No. of Contracts)	0.1	1	0.2	2	0.3	3	No Obligations			
Table A: Spread-Size Specification for 30 Stocks of SENSEX as per Table 3 overleaf																		
Percentage of Bid Price	Minimum Lots (No. of Contracts)																	
0.1	1																	
0.2	2																	
0.3	3																	
Roll Period (1-day prior to expiry)	No rollover obligation and incentive for trading volume based cash incentive. Roll over obligation for quote based incentive. For more details please refer to Annexure 1																	
After the daily volume cap is breached	MMs shall be required to quote as per spread-size obligations in SENSEX Stock Futures contract as per the slots defined.				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— SENSEX Stock Futures contracts that are not closed or delivered at the end of a particular day.

[€] Open Interest Incentives shall be applicable on incentive eligible contract series only that shall be published by the exchange on a daily basis ,except current month contracts on their expiry day.

	Market Makers	General Market Participants
Clause 3	Eligibility <ul style="list-style-type: none"> 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 	Members have to register with the exchange to be eligible for the incentives.
Clause 4	Penalty—Monitoring Obligations <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. In case of non fulfillment of obligations for a specific day, MM's incentive payment shall be at GMP rate. 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. 	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
Clause 5	Incentive Ceilings <p>Daily Caps — Cash volume incentives paid upto a maximum volume of Rs. 100 cr of daily volume in Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX as per table 3. Incentive to be paid on pro rata basis once the turnover cap is hit.</p> <p>Example: 09:15 AM to 03:30 PM :- Market Turnover for the day Rs.110 Crs Member A turnover —Rs.15Cr; Member A payout at GMP rates—Rs 15 Cr*(Rs 100Cr/Rs.110Cr)*Rs.1,100/- = Rs.15,015/-</p>	
Clause 6	Payment <ul style="list-style-type: none"> Daily basis for GMPs- at rate of Rs. 1,100 / Cr for passive trades. Daily basis for MMs - Additional trading volume based cash incentive for fulfilling MM obligations at rate of Rs. 1,100 Cr. of member volume. (passive side of their volume executed in slots where MM qualifies *) 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 <p><i>* Half of turnover cap to be considered for pro-rata calculation of additional trading volume based cash incentive to MM.</i></p>	
Clause 7	Eligible Securities / Underlying <p>Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX (refer Table 3 overleaf)</p>	Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX (refer Table 3 overleaf)
Clause 8	Time Lines <ul style="list-style-type: none"> Scheme Launch—16th January, 2013 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. 	

Annexure 1: Incentive Structure

- MMs will be paid quoting incentive by providing 2 way continuous quotes as per spread size specification provided in table A for 75% of trading time of each slot as per the table 1 given below. If the MM is qualified only for a specific slot then MMs will be eligible to receive the incentive amount indicated for the respective slot only.
- Incentive amount of each slot per stock as per table 1 below will be cap of that particular slot, after which the incentives will be paid on pro rata basis per slot per stock.
- Additional quoting incentive of Rs. 50, 000/- will be paid to the MMs provided they qualify as a MM for any of the 25 stocks out of the basket of all 30 SENSEX stocks as per table-3 across all sessions through out the day. If the total additional quoting incentive amount across all MMs crosses Rs.50,000/- the same shall be paid on pro rata basis.
- Quoting incentive of Rs. 4,200/- per stock amounting to total quoting pool of Rs.1,26,000/- for 30 stocks per day.
- Total Quote incentive pool per day would be at Rs. 1,26,000/- + Rs. 50, 000/- = **Rs. 1,76,000/-**
- Roll over period - If MM fulfills spread size quoting obligation i.e provide 2 way continuous quotes as per Table - A in near month contracts for 75% of trading time of each slot as per the table 1 given below on Expiry -1 and Expiry day, then eligible MM shall be paid quote based incentive up to pool of 1,76,000/- as mentioned above on those days.

Table 1- Time range for each slot		
Slot	Time Frame	Incentive Amount in Rs.
1	09:15 AM - 10:30 AM	1000
2	10:30 AM - 11:30 AM	600
3	11:30 AM - 12:30 PM	500
4	12:30 PM - 01:30 PM	500
5	01:30 PM - 02:30 PM	600
6	02:30 PM - 03:30 PM	1000
TOTAL		4200

Additional incentive pool of Rs. 2 lakh per day and incentive pool of Rs. 4 lacs on Expiry Day:

Eligible MMs who would fulfill any one of the quote obligation condition i.e A or B as per table 2 below will be allowed for an additional quoting incentive of Rs. 2 Lakh, provided they are present 75% of the time for each slot as per table 1 above. If more than one MM qualify for the said pool, then incentive will be paid on a pro rata basis. The same pool will be increased to Rs. 4 lacs on expiry day if the MMs fulfills the aforesaid condition. *(This additional incentive shall not be applicable for roll over contracts).*

Table - 2		
Condition	Percentage of Bid Price	Min. No of Contracts
A	0.05% in any 15 stocks out of the basket of all 30 SENSEX stocks mentioned in table-3	1
B	0.05% in any 10 stocks & 0.10% in any 10 stocks out of the basket of all 30 SENSEX stocks mentioned in table-3	1

Table 3- List of 30 Underlying stock of SENSEX eligible for LEIPS-VIII incentive scheme

Underlying	Underlying	Underlying
ITC	ONGC	Coal India Ltd
RIL (Reliance Ind Ltd)	Hindustan Uniliver Ltd	Cipla Ltd
ICICI Bank	Mahindra & Mahindra Ltd	Maruti Suzuki (Ind) Ltd
HDFC Bank	Bharti Airtel	(BHEL) Bharat Heavy Electricals Ltd
HDFC Ltd	Bajaj Auto Ltd	Hero MotoCorp Ltd
Infosys Ltd	Sun Pharmaceutical Ind Ltd	Jindal Steel Power ltd
Larson & Toubro Ltd	Tata Steel Ltd	Tata Power Co Ltd
TCS (Tata Consultancy Services Ltd)	NTPC	Gail India Ltd
SBI (State Bank of India)	Wipro	Sterlite Industries (Ind) Ltd
Tata Motors	Dr. Reddys Laboratories Ltd	Hindalco Industries Ltd

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

Registration Form for Market Maker in LEIPS-VIII

(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-VIII 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-VIII – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-VIII – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-VIII – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-VIII 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-VIII 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	Stock Futures
ITC	
RIL	
ICICI Bank	
HDFC Bank	
HDFC Ltd	
Infosys	
L&T	
TCS	
SBI	
Tata Motors	
ONGC	
Hindustan Uniliver	
Mahindra & Mahindra	
Bharti Airtel	
Bajaj Auto	
Sun Pharma	
Tata Steel	
NTPC	
Wipro	
Dr. Reddys Lab	
Coal India	
Cipla	
Maruti Suzuki	
BHEL	
Hero MotoCorp	
Jindal Steel	
Tata Power	
Gail India	
Sterlite Inds	
Hindalco Inds	