

**Annexure A – Trading Incentives to the market participants:-**

Incentives based on premium turnover shall be given to all trading members (irrespective of member is registered as market maker or not) in monthly Stock and Index Options as follows –

**Turnover based incentive in Stock and Index Option contracts of Equity Derivatives Segment -**

<b>Details</b>	<b>Incentive Rates for all market participants</b>
Trading incentive	Rs 5,900 per crore on sell side of premium turnover

Trading Incentives shall be payable at rate mentioned above up to the premium turnover of Rs.50 Crs per day including Stock and Index options. Upon breaching mentioned premium turnover cap, the trading incentives shall be payable on proportionate (pro-rata) basis for that day.

Trading Incentives shall be calculated on daily basis, however the same shall be payable on monthly basis to trading members. Processing of final payment will be done in first week of subsequent calendar month.

Further details of trading incentive payment shall be communicated via separate notice.

**Annexure B - Detailed terms and conditions of market making.**

**Eligibility and appointment of Market Maker: -**

- Active trading member of the derivative segment shall apply to the exchange to act as a market maker from the list of securities specified by the Exchange from time to time.
- Member Should have net worth of minimum Rs. 1 Crs
- No serious disciplinary action against the members /promoters/directors in the last 1 year by any regulator.

**Obligation, responsibilities and review of Market maker:-**

- Market Maker has to provide 2 way continuous quotes in current month contracts and on Expiry day in near month contract in any one strike from At the Money (ATM) to Out

of the Money Four (OTM 4) contract as per spread requirement mentioned in below table  
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Money ness (Call / Put)	Call (Max permissible spread criteria)	Put (Max permissible spread criteria)
ATM	10% of the bid price or Rs.3 from the bid price whichever is higher	10% of the bid price or Rs.3 from the bid price whichever is higher
OTM1	10% of the bid price or Rs.3 from the bid price whichever is higher	10% of the bid price or Rs.3 from the bid price whichever is higher
OTM2	10% of the bid price or Rs.3 from the bid price whichever is higher	10% of the bid price or Rs.3 from the bid price whichever is higher
OTM3	10% of the bid price or Rs.3 from the bid price whichever is higher	10% of the bid price or Rs.3 from the bid price whichever is higher
OTM4	10% of the bid price or Rs.3 from the bid price whichever is higher	10% of the bid price or Rs.3 from the bid price whichever is higher

- Market Maker needs to ensure two way continuous quotes during regular trading hours for minimum 50% of trading time.
- Market Maker needs to qualify as per above mentioned daily presence criteria for minimum 50% of the trading days in a month.
- Market maker needs to qualify for at least 1 ATM/OTM strike in either Call or Put as per the above mentioned spread.
- In case market maker fails to fulfil quoting obligation in near month contract on expiry day, however if he qualifies on quoting obligation parameters in more than 50% of the trading days in the month in that case he will be eligible as market maker for subsequent month.
- In case a market maker fails to fulfil the quoting obligation specified above in the contracts in which he is appointed as a market maker then exchange shall not consider member eligible as a market maker in those contracts and all exemption extended to him as a market maker shall be withdrawn from the subsequent month. In such a scenario, in case member wish to do market making for those securities, member will have to re-apply to be appointed as a market maker in those securities. (The only exceptions shall be due to technical reasons and fast market conditions)
- The review of the member eligibility as market maker shall be done at the end of every month.

- Exchange shall monitor the scheme on a systematic basis to ensure that this facility is not misused by any market participant.

Reversal Trade Prevention Check (RTPC) exemption for Market Maker:-

- Reversal Trade Prevention Check (RTPC) exemption shall be provided to the market maker upon registration as a market maker for the list of securities for which member has applied to act as a market maker.
- Quoting obligation specified above will be mandatory for market makers to be eligible for RTPC exemption and RTPC Check exemption shall be withdrawn, if the market maker does not qualify as per the market making obligations specified above. In such a scenario, member will have to re-apply to be appointed as a market maker in those securities to get RTPC exemption in subsequent month.
- Reversal Trade Prevention Check (RTPC) is applicable at client level and not at member level. Therefore, interested market maker shall apply with unique client code (UCC) details from which he intends to do market making. Further, the Reversal Trade Prevention Check (RTPC) exemption shall be provided to that particular client only which is registered as a market maker.
- RTPC Exemption shall be given to only market makers in monthly option contracts of current and near month only of Equity Derivatives segment.

Suspension and Prohibition of Market Makers: -

Exchange may either restrict or prohibit a registered market maker from displaying on or entering quotations into the trading system or dealing in securities in which he is registered as a market maker if:

- Such market maker has been or is expelled or suspended or declared a defaulter from trading membership of the Exchange, or is unable to comply with the Exchange's Bye Laws, Rules and Regulations or whose registration is cancelled by the SEBI.
- Such market maker has defaulted on any transaction effected in respect of securities.
- The market maker is in such financial or operating difficulties, that in the opinion of the Exchange, such market maker ought not to be allowed to display on or enter quotations into the trading system of the Exchange having regard to the safety of investors, creditors or other trading members of the Exchange;
- Where such market maker, in the view of the Exchange, ceases to meet qualification requirements for registration as a market maker.

The registration form, eligible securities and process for registration shall be communicated via separate notice.

