

ANNEXURE 1

Details of the Liquidity Enhancement Scheme (LES)

- 1. Securities Eligible under LES for Designated Primary Market Maker (DPMM) –**
 - i. S&P BSE SENSEX 50 Futures contracts (Weekly & Monthly Both)
 - ii. S&P BSE SENSEX 50 Options contracts (Weekly)
- 2. Securities Eligible under LES for Designated Secondary Market makers (DSMM) –**
 - i. S&P BSE SENSEX 50 Futures contracts (All contracts)
 - ii. S&P BSE SENSEX 50 Options contracts (All contracts)
- 3. Designated Primary Market Makers application & selection process in S&P BSE SENSEX 50 Futures & Options Contracts –**

Members willing to be appointed as a designated primary market maker (DPMM) need to submit their bid for designated primary market maker in exchange prescribed format between June 15, 2020 and June 17, 2020. The detail of the market making application process and selection of market makers are mentioned below.

- I. Exchange invites bids from market participants as per below –
 - S&P BSE SENSEX 50 Futures – Weekly & Monthly (Combined bid for weekly & monthly contracts)
 - S&P BSE SENSEX 50 Options – Weekly only (Bid for average presence of main strikes and other strikes combined)
- II. Interested members can submit the bid for DPMM as specified above.
- III. Member 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.
- IV. Only one bid per DPMM category per member shall be permitted.
- V. The bids received from the trading members of the Exchange shall be evaluated on an objective selection criterion.
- VI. 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.

4. Bidding criteria as DPMM for S&P BSE SENSEX 50 Futures & Options Contract -

4.1 Basic bidding criteria for DPMM – S&P BSE SENSEX 50 Futures (Weekly & Monthly) –

- Members shall be required to bid for monthly & weekly quoting obligation both. DPMM will have the obligation to quote both contracts mandatorily – Current Week Expiry & Current Month Expiry both. On Expiry day of monthly contract, current month and near month contract, both shall be mandatory. However, there shall be no such requirement to quote near week expiry on Expiry day of weekly contract.

Basic bidding criteria for DPMM – S&P BSE SENSEX 50 Futures		
Minimum Obligation	S&P BSE SENSEX 50 Futures – Weekly & Monthly both	Increase in Points
Minimum Presence Requirements (average presence required of weekly and month contracts)	70%	<p>For every additional 1% between 71% to 80%, score will be increased by 50 points</p> <p>For every additional 1% between 81% to 85%, score will be increased by 150 points</p> <p>For every additional 1% between 86% to 90%, score will be increased by 250 points</p> <p>For every additional 1% between 91% to 100%, score will be increased by 500 points</p>
Minimum Quantity of contracts on touchline (Min number of contracts required at Level 1 in weekly and monthly contracts)	1 contract	<p>For every additional 1 contract between 2 to 4 contracts, score will be increased by 80 points per incremental contract.</p> <p>For every additional 1 contract between 5 to 7 contracts, score will be increased by 250 points per incremental contract.</p> <p>For every additional 1 contract above 7 contracts, score will be increased by 500 points per incremental contract.</p>
		For every reduction of spread by 0.25 Index points between 4.75 to 2.50 index points,

Max Bid ask spread in the top line (Index Points – Maximum spread in weekly and monthly contracts)	5 Index Points	<p>score will be increased by 30 points per index point.</p> <p>For every reduction of spread by 0.25 Index points between 2.25 to 1.00 index points, score will be increased by 250 points per index point.</p> <p>For every reduction of spread by 0.25 Index points between 1.00 to 0.25 index points, score will be increased by 500 points per index point.</p>
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- Points will be calculated on incremental basis based on the above slabs.

4.2 Basic bidding criteria for DPMM – S&P BSE SENSEX 50 Options – Weekly

Basic bidding criteria for DPMM – S&P BSE SENSEX 50 Options - Weekly		
Minimum Obligation	S&P BSE SENSEX 50 Options	Increase in Points
Minimum Presence Requirements (average presence of eligible strikes – Main strikes & Other strikes)	60%	<p>For every additional 1% between 61% to 70%, score will be increased by 30 points</p> <p>For every additional 1% between 71% to 80%, score will be increased by 60 points</p> <p>For every additional 1% between 81% to 85%, score will be increased by 150 points</p> <p>For every additional 1% between 86% to 90%, score will be increased by 250 points</p> <p>For every additional 1% between 91% to 100%, score will be increased by 500 points</p>
Minimum Quantity of contracts on touchline	1 contract	<p>For every additional 1 contract between 2 to 10 contracts, score will be increased by 60 points per incremental contract.</p> <p>For every additional 1 contract between 11 to 15 contracts, score will be increased by 150 points per incremental contract.</p> <p>For every additional 1 contract above 15 contracts, score will be increased by 250 points per incremental contract.</p>

- Point will be calculated on incremental count based on the above slabs.

4.3 General guidelines for bidding as DPMM -

- I. Bidding criteria, as mentioned above, is the basic required criteria for bidders. Interested members may offer better bids in order 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.
- II. Based on the total scores, best bidder of DPMM of S&P BSE SENSEX 50 Futures contract shall be appointed as DPMM. Similarly, best bidder of DPMM of S&P BSE SENSEX 50 Options contracts shall be appointed as DPMM.
- III. Initial bid for both S&P BSE SENSEX 50 Futures & Options shall be submitted through BEFS Portal (or on email with password protected file in the specified format).
- IV. 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.
- V. DPMMs will continue to be eligible under secondary market maker in case they register themselves under the secondary market maker scheme.
- VI. In the event of DPMM's appointment anytime between / during the month, DPMM's quoting obligation to start from the date of appointment and he will be eligible to receive incentive on pro rata basis subject to terms and conditions specified in the scheme.
- VII. 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.
- VIII. For S&P BSE SENSEX 50 Options –
 - a) Nearest Strike to Close price with "0" at 10th Place value shall be considered as ATM Strike for LES purpose.
 - b) 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 - 9850, 9950, 10050, 10150, 10250 etc.).
 - c) E.g. If previous closing price is 10151, then nearest strike of 10200 shall be considered as ATM Strike (Strike 10200 has "0" at 10th place and will be considered as ATM Strike, however strike 10150 shall not be considered as ATM strike as the 10th place value is "5").
 - d) 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)

e) Incentive eligibility – All 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. 10050, 10150, 10250 etc. shall not be eligible for any type of incentives).

- IX. DPMM & DSMM shall be exempted from Reversal Trade Prevention Check and Order to Trade Ratio Check in securities enlisted as DPMM & DSMM respectively.
- X. Exchange decision with respect to the selection of DPMM shall be final and binding for all bidders.
- XI. Exchange reserves the right to suspend or discontinue any DPMM / DSMM in case of nonfulfillment of eligibility criteria or any mala fide intentions or interests observed on part of market maker by the Exchange.

5. **S&P BSE SENSEX 50 Futures –**

5.1 **Quote based incentives & presence requirements of S&P BSE SENSEX 50 Futures – DPMM –**

Quoting Incentives & Presence criteria for DPMM - S&P BSE SENSEX 50 Futures - Weekly & Monthly				
Session	Presence	Daily quoting Incentives (Rs)	No of Days	Monthly Quoting Incentives (Rs)
09:15 AM – 03:30 PM (Full day)	Normal Trading days - As per DPMM bid or average 70% of the trading time, which ever in higher, in weekly and monthly contracts both	81,818	22	1,800,000
	Expiry day of monthly contract - As per DPMM bid or average 70% of the trading time, which ever in higher, in current month, near month & current week contracts on E - day.			
	Expiry day of weekly contract - As per DPMM bid or average 70% of the trading time, which ever in higher, in current week & current month contracts on E – day (no requirement for near week contracts)			
	Same Expiry date of monthly and weekly contracts (last week of the month) – As per DPMM bid or average 70% of the trading time, which ever in higher, in current			

	week, current month & near month contracts on E – day (no requirement for near week)			
TOTAL QUOTING INCENTIVES		81,818		18,00,000

5.2 Spread and number of contracts requirements for S&P BSE SENSEX 50 Futures – DPMM – Weekly & Monthly contracts

Levels	Maximum permissible spread between Bid and offer Price	Number of contracts in bid and offer both side
Level 1	Level 1 bid of DPMM or 5 index points, whichever is lower	Level 1 bid of DPMM or 1 contract, whichever is higher
Level 2	Level 1 + 1 Index Points	2
Level 3	Level 1 + 2 Index Points	2
Level 4	Level 1 + 3 Index Points	3
Level 5	Level 1 + 4 Index Points	3

* Level 1 spread requirement & number of contracts shall be as per the appointed DPMM bid.

5.3 Quoting Incentives eligibility of DPMM in S&P BSE SENSEX 50 Futures – DPMM – Weekly & Monthly

- I. DPMM is obligated to quote and qualify as per their bid on all days of the calendar month to receive full incentives.
- II. However, for days, where DPMM has failed to qualify his presence obligation as per his bid % presence, he will be eligible as per following –

Average Presence %	% Eligible Incentives #	Days status	Qualified
Less than 50%	0%	Failed	
Presence between 50% and 65%	50%	Qualified	
Presence between 66% and DPMM Bid % Presence	75%	Qualified	

Presence equal or more than DPMM bid % presence	100%	Qualified
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- iii. For Normal trading Days - Presence of Current Week and Current Month shall be added and shall be divided to 2 to arrive at average presence.
- iv. For E Day of current week contract – Presence of Current week and current month shall be added and then shall be divided by 2 to arrive at average presence (no obligation of near week contract on expiry day of current week)
- v. For E Day of current month contract – Presence of Current month, Next month and current week shall be added and then shall be divided by 3 to arrive at average presence.
- vi. In case current week contract & current month contract is having same expiry date (in last week of the month), then presence of current week, current month, next month shall be added and then shall be divided by 3 to arrive at average presence.
- vii. For days, where DPMM presence is less than 50%, DPMM shall be considered as fail for those days. In a calendar month, DPMM shall be allowed maximum 4 days of failure with average presence less than 50%.
- viii. DPMM shall be eligible for quoting incentives on pro-rata basis based on the days qualified subject to qualifying monthly criteria.

5.4 Trading Incentives for DPMM in S&P BSE SENSEX 50 Futures – Weekly & Monthly

Product	Rate of Incentive (On per crore turnover both buy and sell side)	Rate of Incentive (On per crore turnover both buy and sell side)	Total Daily Trading Incentive Pool for weekly & monthly (Rs)	Monthly Trading Incentive (Rs)
	DPMM	Other participants		
S&P BSE SENSEX 50 Futures	600	NA	45,000	9,90,000

- Trading Incentives shall be applicable for DPMM Only for Current Week, Current Month & Near Month contracts on all trading days.

6 S&P BSE SENSEX 50 – Weekly Options

6.1 Quote based incentives & presence requirements of S&P BSE SENSEX 50 Options – DPMM – Weekly Contracts

DETAILS	Daily	No of Days	Monthly
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Daily Quoting Incentives (except E - 1 & E Day of weekly contract) of current week contract *	1,00,000	14	14,00,000
E-1 Day Quoting Incentives	2,50,000	5	12,50,000
E Day Quoting Incentives (Quoting in current week & near week is mandatory)	2,50,000	5	12,50,000
Additional daily quoting incentive for presence in first half an hour (09:15 AM - 09:45 AM) - Minimum 50 % #	25,000	22	5,50,000
Additional daily quoting incentive for presence in last half an hour (03:00 PM - 03:30 PM) - Minimum 50 % #	25,000	22	5,50,000
TOTAL - Daily quoting Incentives (Except E-1 & E Day)	150,000	14	2,100,000
TOTAL - Daily quoting Incentives - For E-1 days	300,000	5	1,500,000
TOTAL - Daily quoting Incentives - For E Days	300,000	5	1,500,000
TOTAL - Monthly Quoting Incentives	5,100,000		
Non-fulfilment of quoting obligation			
Non-fulfilment of quoting obligation in a calendar month (days where average presence is less than 50%)	Reduction from quoting Incentives		
Up to 4 days (as specified above in detail)	NIL		
5 th Day	50,000		
6 th day	1,00,000		
7 th day	1,50,000		
8 th day	2,00,000		
More than 8 days	None of the type of quoting incentives shall be paid		

- Failure day shall be counted for only days where average presence is less than 50%.

6.2 Spread and number of contracts requirements for S&P BSE SENSEX 50 Options – DPMM - 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 each level 2 & level 3
(Rs.)	Level 1	Level 2	Level 3		

0.05 – 9.95	1	1.5	2	1	2
10 - 24.95	1.5	2.5	3.5	1	2
25 - 49.95	2	3	4	1	2
50– 74.95	2.5	3.5	4.5	1	2
75 - 99.95	3	4	5	1	2
100-149.95	3.5	4.5	5.5	1	2
150-199.95	4	5	6	1	2
200-249.95	4.5	5.5	6.5	1	2
250-299.95	5	7	9	1	2
300-399.95	6	8	10	1	2
400-499.95	7	8	10	1	2
500-699.95	8	10	12	1	2
700-899.95	10	12	14	1	2
900 and above	12	14	16	1	2

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.

- Eligible strikes Definition for “Other strikes” –

- Strikes with “0” at 10th Place value shall be considered as eligible strike, if such strikes have open interest. If there is no open interest in such strike, then DPMM is not required to quote such strikes. (e.g. if Calls 12000, 12100 etc. has open interest, then DPMM shall be required 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 - 9850, 9950, 10050, 10150, 10250 etc. are non-eligible strikes).

Incentive eligibility for all market participants –

All 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. 10050, 10150, 10250 etc. shall not be eligible for any type of incentives).

Note –

- a) Quoting Incentives shall be computed based on the fulfillment of quoting obligations as specified in the scheme, however in case total quoting incentive amount is less than or equal to 0, in such cases DPMM shall not be liable for any payment.
- b) # Daily session wise quoting incentive shall be subject to fulfillment of full day quoting obligations by DPMM.
- c) 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.
- d) DPMM need to maintain 2-way quotes with above mentioned obligations at level 1, 2 & 3 respectively.
- e) DPMM need to provide minimum number of bid and offer contracts at level 1 as per their own bid for level 1 quoting.
- f) 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.
- g) 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.

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

- I. For presence calculations, presence of all a) Main strikes b) Other strikes shall be added and then divided by minimum number of required strikes to arrive at average presence calculations.
- II. Based on the average presence, following shall be applicable –

Avg Presence %	% Eligible Incentives #	Days Qualified status
Less than average 50%	0%	Failed
Average presence equal or more than 50%, but less than 60 %	50%	Qualified
Average presence equal or more than 60%, but less than DPMM Bid % Presence	75%	Qualified
Average presence equal or more than DPMM Bid % Presence	100%	Qualified

- iii 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).

6.4 Trading Incentives for DPMM in S&P BSE SENSEX 50 Options – Weekly

Product	Strike	Rate of Incentive (On per crore notional turnover both buy and sell side)	Rate of Incentive (On per crore notional turnover both buy and sell side)	Trading incentive Daily Pool (Rs)	Monthly Trading Incentives (Rs)
		DPMM	Other participants		
S&P BSE SENSEX 50 Options Weekly (Notional)	All eligible Strikes	50	50	1,95,454	43,00,000

- Trading Incentives shall be applicable for all market participants in current week contracts only, however on Expiry Day, all market participants shall be eligible for current week & near week contracts both.
- Eligible strikes definition - Strikes with “5” at the 10th place value shall not be considered as eligible strike and shall not considered eligible for any type of trading incentives (E.g. Strikes - 9850, 9950, 10050,10150,10250 etc. are non-eligible strikes)

6.5 Open Interest Incentives for market participants in S&P BSE SENSEX 50 Options

Product	Type of trade	Rate of Incentive (on per crore Open Interest per day)		Daily Incentive Pool (Rs)	Monthly Trading Incentives (Rs)
		DPMM (Rs)	Other participants (Rs)		
S&P BSE SENSEX 50 Options (Notional)	Buy Side	250	0	1,00,000	22,00,000
	Sell Side	500	0		

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

- I. For all DPMM - Failure day shall be considered, where DPMM average presence is less than 50%.
 - For S&P BSE SENSEX 50 Futures Weekly & Monthly both – if DPMM fails for more than 4 days in a calendar month, then such DPMM shall be considered as disqualified and shall not be eligible for any quoting incentives. However, such DPMM shall be eligible for trading Incentives applicable to DPMM for such period of appointment.
 - For S&P BSE SENSEX 50 Options – Weekly - if DPMM fails for more than 4 days in a calendar month, then quoting incentives of such DPMM shall be reduced to the extent of failure days as per details mentioned above. If DPMM fails for more than 8 days in a calendar month, then such DPMM shall be considered as disqualified and shall not be eligible for any quoting incentives. However, such DPMM shall be eligible for Open Interest Incentives for the appointed period as DPMM. Also, such DPMM shall be eligible for trading incentives which are applicable for all market participants.

- Such member shall be considered eligible thereafter based on the round robin appointment process of DPMM.
- II. 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.
- III. 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.
- IV. Exchange may give opportunity to subsequent set of bids based on the evaluation parameter on a round robin basis (For e.g. if there are bids of 5 DPMM, bidding opportunity shall be given based on the evaluation scores of the DPMM. Post appointment of 5th DPMM, the exchange shall again give opportunity to 1st DPMM based on the scores and so on).
- V. In case, there is no interest shown by any member based on the existing bids, exchange may invite fresh bids from members by issuing requisite notice. Revised bids received shall be evaluated based on the scores and appointment process of DPMM shall be based on the same.
- VI. Exchange reserves the right to amend or discontinue the existing designated primary market maker and appoint a new designated primary market maker at any point of time.
- VII. Exchange decision shall be final and binding for all market participants.

8. General guidelines for incentives in S&P BSE SENSEX 50 Futures & Options contracts –

- I. For S&P BSE SENSEX 50 Futures –
 - Quote based incentives shall be applicable only for appointed DPMM.
 - Turnover based incentives shall be applicable for only appointed DPMM for current week, current month and near month contracts only. Even if DPMM fails to qualify monthly criteria, DPMM will still be eligible for turnover based incentives for the period member was appointed DPMM.
- II. For S&P BSE SENSEX 50 Options –
 - Quote based incentives shall be applicable only for appointed DPMM.
 - Turnover based incentives shall be applicable for all market participants in current week contracts only (except on E day, where current & near week both will be eligible).
 - Open Interest incentives shall be applicable for only DPMM, however, this will be restricted to current week contracts only (except on E day, where current & near contracts both will be eligible).
- III. Trading and Open interest-based Incentive to be paid on pro rata basis once the daily incentive pool as mentioned above is breached.

- IV. Incentives shall be calculated on daily basis and shall be paid to eligible members on monthly basis upon submission of valid incentive invoice to the exchange.