

# Master Circular - Surveillance (Equity Derivatives)

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# 1 PRICE BAND

**Ref: SEBI circular No. no. SMDRPD/Policy/Cir-37/2001 dated June 28, 2001**

There are no fixed price bands applicable in the equity derivatives segment. However, in order to prevent erroneous order entry dynamic price bands have been prescribed as below.

## 1.1 For Index Options

### 1.1.1 Automatic flexing of operating range applicable in Options contracts

When the last trade price of an option contract crosses X% (trigger point) of the prevailing operating range on either side of the base price, OPR may be flexed automatically in the corresponding direction by a certain quantum. The operating price range may be flexed on the basis of multiple factors taken into consideration.

The Exchange can review the trigger point, the quantum of flex and the various parameters to be considered before flexing such ranges from time to time based on experience gained and inputs received from market participants/regulator

### 1.1.2 Automatic flexing based on underlying price movement

With a view to bring more efficiency in Index Options, the Exchange has introduced the following additional flex mechanism for Index Options operating price range.

If the prevailing underlying price moves by a defined percentage (in terms of sigma) as set by the Exchange, then the Exchange re-computes and flex the operating range of all the option contracts automatically, subject to the revised (i.e. re-computed) range is more than the current range on the respective side.

### 1.1.3 Contract level LTP based Option OPR flexing based on moneyness

- OPR flexing shall be applicable to ATM & all the OTM strikes determined based on prevailing underlying price
- OPR flexing shall be applicable to ITM strikes that are up to 1% away from the prevailing underlying price
- OPR flexing shall NOT be applicable to ITM strikes that are more than 1 % away from the prevailing underlying price

#### 1.1.4 Objective criteria to trigger flexing of contract level OPR

Contract level OPR shall be flexed only when a minimum of 5 trades occurs at prices above the trigger point of the prevailing OPR, involving minimum 5 unique UCCs on each side of such trades.

#### 1.2 For Stock Options

A contract specific dynamic price band based on its delta value computed and updated on a daily basis.

#### 1.3 For Index Futures

At 10% of the base price

#### 1.4 For Stock Futures

At 10% of the base price

In the event of a market trend in either direction, the dynamic price bands may be relaxed during the day in co-ordination with the other Exchange subject to fulfilment of following condition -

There should be minimum of 25 trades and 5 different UCCs on both sides of the trade at or above 9.90% of the base price. Such relaxation shall be carried in multiples of 5%.

**Ref: SEBI circular No. CIR/MRD/DP/34/2012 dated December 13, 2012**

Notice: [Revision in Dynamic price band for Stocks Futures /Index Future](#)

Further, pursuant to Para 4 (ii) of Annexure of SEBI Press Release No.18/2020 dated March 20, 2020 and Press Release No. 59/2020 dated November 25, 2020, on Regulatory measures taken by SEBI in view of ongoing market volatility, in addition to the existing requirements, the dynamic price bands are flexed only after a cooling-off period of 15 minutes from the time of meeting the existing criteria specified by stock exchanges for flexing.

Notice link is as under:

[Revision in Dynamic Price Bands for Stocks futures](#)

[Revision in Dynamic Price Band for Stock Futures – Update](#)

## 2 Position Limit on Index products

There is no Market Wide Position Limits specified for Index Futures and Index Option Contracts

### 2.1 Trading Member wise Position

#### 2.1.1 Index Futures:

The trading member position limits in index futures contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in index futures contracts. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

#### 2.1.2 Index Options:

The trading member position limits in index option contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in index option contracts. This limit would be applicable on open positions in all option contracts on a particular underlying index.

### 2.2 FII/ FPI category I & II and MF

#### 2.2.1 Index Futures:

The position limits in index futures contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in index futures contracts. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

#### 2.2.2 Index Options:

The position limits in index option contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in index option contracts. This limit would be applicable on open positions in all option contracts on a particular underlying index.

In addition to the position limits above, Mutual Funds/FIIs may take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's /FIIs holding of stocks.
- b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's /FIIs holding of cash, government securities, T-Bills and similar instruments.

## 2.3 Clients/ FPI Category III/FII Sub-Accounts/ Schemes of Mutual Funds & NRIs

### 2.3.1 Index Futures & Options:

Any person or persons acting in concert who together own 15% or more of the open interest on a particular underlying index is required to report this fact to the Exchange/ Clearing Corporation. Failure to do so shall be treated as a violation and shall attract appropriate penal and disciplinary action in accordance with the Rules, Byelaws and Regulations of the Exchange / Clearing Corporation.

## 2.4 Revised position limits in equity index derivatives (futures and options)

(i) Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' / Trading Members' (Proprietary) / Clients' holding of stocks.
- b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' holding of cash, government securities, T-Bills and similar instruments.

(ii) Further to (i) above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients:

- a. Equity Index Futures Contracts: Rs. 500 Crores.
- b. Equity Index Options Contracts: Rs. 500 Crores.

Notice: [Revised position limits in Equity Index Derivatives \(Futures and Options\)](#)

Further, pursuant to Para 3 of Annexure of SEBI Press Release No.18/2020 dated March 20, 2020 and Press Release No. 59/2020 dated November 25, 2020, on Regulatory measures taken by SEBI in view of ongoing market volatility, in addition to the existing requirements, limits prescribed at 3(i) and 3(ii) of above mentioned SEBI press release dated March 20, 2020, an additional deposit shall be payable by the entity equivalent to the amount of margin chargeable on excess position beyond the limits prescribed at 3(i) and 3(ii) above and the same shall be retained by stock exchanges / clearing corporations for a period of one month.

Notice: [Revision in Dynamic Price Band for Securities having dummy Price Band and Stock Futures – Update](#)

## 3 CHECKS & RISK CONTROL

### 3.1 PAN-based Self-Trade Prevention Check Functionality [STPC]

With an objective to bring in more transparency, the Exchange, as a proactive measure introduced a functionality called the Self Trade Prevention Check, to prevent self-trades at the time of order matching at the UCC level in first phase, which was introduced in the derivatives segment on February 02, 2015.

The Exchange later extended the same functionality on PAN level on September 14, 2015 in the Equity Derivatives segment.

Self-trade prevention check is a feature that prevents matching between a buy & a sell order entered by single broker or multiple brokers

- In the same order book
- For the same client code - Originating from same or different terminals of the broker
- For different client codes having same PAN - Originating from trading terminals of different Brokers

For more details on the STPC functionality and its applicability, please refer to the notices given below-

Notices : [PAN-based Self-trade Prevention Check Functionality for Equity Derivatives segment – Update](#)

[PAN-based Self-trade Prevention Check Functionality for Equity Derivatives segment](#)

[Self-trade Prevention Check for Equity Derivatives & Currency Derivatives segments - FAQs](#)

[Self-trade Prevention Check for Equity Derivatives segment](#)

### 3.2 PAN-based Reversal Trade Prevention Check (RTPC) Functionality

Reversal Trade Prevention Check (RTPC) was introduced by the Exchange as a pro-active measure with an intention to prevent potential cases of trade reversal taking place on the Exchange trading platform. In this check, the second leg (latest leg) of a reversal trade on the same trading day is automatically cancelled by the Exchange at the time of order matching in an on-line real time manner in the trading system.

For more details on the RTPC functionality and its applicability, please refer to the notices given below-

Notices : [Reversal Trade Prevention Check \(RTPC\) – update](#)

[Reversal trade Prevention Check- Update](#)

[Reversal Trade Prevention Check \(RTPC\) – Update I](#)

[Reversal Trade Prevention Check \(RTPC\) – Update](#)

[Reversal Trade Prevention Check in Equity Derivatives – FAQs](#)

[Prevention of Reversal Trades in Equity Derivatives segment – Go Live](#)

### **3.3 Price Reasonability Check (PRC)**

Price reasonability check (PRC) functionality was introduced as a measure to further strengthen the Exchange's pre-trade risk management framework. In PRC functionality, each new (incoming) limit order price is validated with the Exchange defined Price Reasonability Range (PRR). PRR is dynamically computed and applied by the trading system using a real-time reference price. The PRC functionality is applicable for all futures and option contracts of Equity Derivatives segment.

For more details on the PRC functionality and its applicability, please refer to the notices given below-

Notices : [Introducing Price Reasonability Check for Equity Derivatives Segment](#)

[Revision in Price Reasonability Check for Index and Stock future contracts](#)

[Revision in Price Reasonability Check for Index and Stock Options contracts](#)

[Revision in Price Reasonability Check for Stock Options contracts](#)

### **3.4 Policy for Annulment of trades undertaken on BSE Trading platform**

The Exchange introduced Policy on Annulment of Trades and defined suitable criteria so as to discourage frivolous trade annulment requests from the stockbrokers being referred to the Exchange. The framework for processing the trade annulment requests from trading members for trades executed on the exchange trading platform is provided in the Notice link below.

Notices : [Policy for Annulment of trades undertaken on BSE Trading platform](#)

[Policy for Review of Trade Annulments undertaken on BSE Trading platform](#)

### **3.5 Abnormal / non-genuine trades**

Exchange has issued notice to trading members advising them to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts across segments. Further, trading members were informed that any such activity observed may also attract levy of penalty of 100% of the traded value / profit made / loss incurred as a result of such trades.

Notice: [Abnormal / Non-genuine trades & Guidance note on Abnormal / Non – genuine trades](#)

### **3.6 Surveillance Margin**

Securities Exchange Board of India (SEBI), and Exchanges in order to enhance market integrity and safeguard interest of investors, have decided in joint surveillance meetings to impose Additional Surveillance Measure (ASM) on Securities with surveillance concerns.

### **3.7 Additional Surveillance Margin (ASM)**

Exchange has issued notice no. 20191011-42 dated October 11, 2019 to trading members informing about additional margin of 20% on the notional option value which shall be levied and collected from the clearing member, in case an entity trades in Equity Derivatives Stock Options contracts and creates fresh Short Open Interest in deep Out of Money strikes (OTM). Deep OTM are those strikes which are 30% away from the underlying price at the time of trade.

This additional margin is levied on the top 10 clients, if they account for more than 30% of the overall fresh short positions created on that trading day (to be computed separately in respect of call and put options). The said margin levied on the participants / clients shall continue till the contracts are squared off or till expiry of the contract.

### **3.8 Short -Term Additional Surveillance Measure (ST- ASM) framework – for Futures and Options contracts on Derivative Stocks**

Exchange has issued notice no. 20220428-44 dated April 28, 2022 to trading members informing about Short term additional surveillance measure has extended to Derivative stocks (Stocks on which derivative products are available for trading in Equity Derivative segment of the Exchanges) and all corresponding Futures and Options contracts w.r.t. the shortlisted Derivative stocks. The revised framework made applicable w.e.f. May 02, 2022.



ASM Framework is uniformly applicable across the Exchanges for market as a whole. The ASM Framework inter-alia includes:

- Identification of companies under Short Term ASM based on pre-decided joint criteria on a daily basis based on parameters given in Exchange notices issued from time to time
- Monitoring of the identified securities for moving to various stages as per pre-defined parameters jointly decided by Exchanges and SEBI.

Notice: [Short -Term Additional Surveillance Measure \(ST- ASM\) framework – for Futures and Options contracts on Derivative Stocks](#)

## **4 TRADING AND SURVEILLANCE OBLIGATIONS FOR TRADING MEMBERS**

The Exchange has provided a facility for effective surveillance at the member level wherein the Exchange has derived the transactional alerts that would be downloaded to the trading members which facilitates the trading member to effectively monitor the trading activity of their clients

Notice: [Surveillance Obligations for Trading Members](#)

## **5 REGULATORY DISCLOSURES**

The exchange from time to time disseminates the data pertaining to the trading in the derivative segments for the information of the market.

### **5.1 Participant wise Trading Volume/Open Interest Data**

The data relating to Open Positions number of contracts and Open Position in terms of volume are updated on daily basis at End-of-day.

Link : [Participant wise Trading Volume/Open Interest Data](#)

### **5.2 Volume and Turnover Data of Top 10 Clearing Members**

The data for top clearing members on the basis of Turnover for different product types is updated on daily basis at End-of-day.

Link : [Volume and Turnover Data of Top 10 Clearing Members](#)

### **5.3 Client Position Details**

The data for the clients having open positions equal to or more than 3% of applicable Market Wide Position limit in an underlying stock, is displayed at End of Day as and when the said criteria satisfies.

Link : [Client Position Details](#)

#### **5.4 Disclosure of Position of Connected Entities**

The data of combined position of any group or group of clients in any of the Derivatives securities having the Higher of 1% of free float capital of the company or 5% of the Total Market Open Interest, is displayed at End of Day as and when the said criteria satisfies.

The data is displayed within 5 working days after last date of the preceding fortnight,

Link : [Disclosure of Position of Connected Entities](#)

#### **5.5 Proprietary Trade Positions-Derivatives Segment**

The data shows the percentage of the total open position of the Proprietary trades vis-à-vis the member's total open position and the VaR (Value at Risk) of such proprietary trades for Derivatives segment. The data is disclosed for the previous month on the website as the average figure for open Interest and VaR details, computed daily.

Link : [Proprietary Trade Positions-Derivatives Segment](#)

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