

LEIPS-Stock Futures

(Effective from May 30, 2014)

SEBI issued Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014 regarding revised guidelines for Liquidity Enhancement Scheme in the Equity Cash & Equity Derivatives Segment .The Exchange proposes to launch new **Liquidity Enhancement Incentive Programmes (LEIPS)** with the goal of creating lasting, self-sustaining liquidity in BSE's Derivatives Segment.

With effect from May 30,2014 the Exchange proposes to launch LEIPS on Single Stock Futures contracts on the 30 underlying stocks which are part of S&P BSE SENSEX.

The Exchange monitors performance of the programme including presence of Market Makers (MMs) and their compliance with the quote obligations through a mix of online and offline monitoring tools.

The programme incentivize s only Market Makers (MMs) as per prescribed terms and conditions.

Active trading members of Derivative segment of the Exchange can follow a simple process to register themselves for this programme as a Market Makers (MMs).

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in Single Stock Futures contracts on aforesaid 30 underlying stocks which are part of S&P BSE SENSEX. The programme offers following types of incentives to market makers –

1. Quote based incentives for MMs.
2. Lower Transaction charges

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.

The programme shall remain in force as per tenure mentioned in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014.

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

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The programme focuses on Single Stock Futures contracts on 30 underlying scrips which are part of S&P BSE SENSEX. The programme incentivizes MMs by payment of cash for their participation in the programme as per prescribed terms and conditions.

		Market Makers	
Clause 1 – Incentives / Benefits	Quoting Based Cash Incentive	Upon fulfillment of Quote Obligation, qualified MMs shall be paid cash incentives. For more details please refer to Annexure 1 overleaf.	
	Quote Obligation	<p>Provide 2-way continuous quote for 85% of the time 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.</p> <p>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)</p>	
Clause 2 – Obligations	Transaction Charges	Passive (Rs/Cr)	Active (Rs/Cr)
		0	50
	Spread, Size Specification	<p>30 Stocks which are part of S&P BSE SENSEX – (Current Month Contracts)</p> <ul style="list-style-type: none"> Maintain spread-size as per Table A below: Maintaining spread-Size obligation in all layers are compulsory I.e MM has to keep quotes in all the three layers specified in table below then only the presence shall be measured. 	
		Table A: Spread-Size Specification for 30 Stocks	
	Percentage of Bid Price	Minimum Lots (No. of Contracts)	
	Layer 1— 0.1 %	1	
	Layer 2— 0.2 %	1	
	Layer 3— 0.3 %	1	
	Roll Period (1-day prior to Expiry and Expiry day)	Quote obligations and Spread size specifications as mentioned above of current month contract shall be applicable to near month contracts as well. For more details please refer to Annexure 1	

		Market Makers
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
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 shall not be paid incentive. 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.
Clause 5	Eligible Securities / Underlying	Single Stock Futures contracts on 30 underlying stocks which are part of S&P BSE SENSEX.
Clause 6	Time Lines	<p>Scheme Launch—May 30,2014</p> <p>Scheme shall continue as per timeline specified in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014</p>

Annexure 1: Incentive Structure

- Eligible MM shall be paid incentive from Daily incentive pool of Rs.50,000/- after successfully quoting for 85% of the trading time (from 9.15 a.m to 3.30 p.m)by providing 2 way continuous quotes as per spread size specification in all the 3 layers provided in table A in any of the 25 stocks from 30 underlying stocks which are part of S&P BSE SENSEX.
- Roll Over Period (Expiry-1 and Expiry day of the current month contract)—Eligible MM shall be paid incentive from additional incentive pool of Rs.50,000/- after successfully quoting for 85% of the trading time (from 9.15 a.m to 3.30 p.m) by providing 2 way continuous quotes as per spread size specification in all 3 layers provided in table A in both Current and Near month Contracts of a stock in any 25 stocks out of 30 stocks as mentioned in condition 1 above.
- During Roll Over period if MM fails to keep quoting obligation of 85% as as per spread size obligation in all 3 layers mentioned above in any of the Current or Near month contract then MM shall not receive any of the above two incentive.

Table—3 List of Underlying stocks eligible for LEIPS on Stock Futures.

List of 30 underlying stocks which are part of S&P BSE SENSEX for LEIPS on Stock Futures	
ITC Ltd	Bharti Airtel Ltd.
RIL (Reliance Ind Ltd)	Wipro Ltd
ICICI Bank Ltd	Dr. Reddys Laboratories Ltd
INFOSYS Ltd	Coal India Ltd
HDFC Bank Ltd	Hero Motocorp Ltd
HDFC Ltd	Tata Steel Ltd
TCS (Tata Consultancy Services Ltd)	Bajaj Auto Ltd
Larson & Toubro Ltd	Maruti Suzuki (India) Ltd
Tata Motors Ltd	Sesa Sterlite Ltd
ONGC (Oil and Natural Gas Corporation Ltd)	NTPC Ltd
SBI (State Bank of India)	Cipla Ltd
Axis Bank Ltd	BHEL (Bharat Heavy Electricals Ltd)
Mahindra & Mahindra Ltd	Gail India Ltd
Sun Pharmaceutical Industries Ltd	Hindalco Industries Ltd
Hindustan Uniliver Ltd	Tata Power Co Ltd

Registration Form for Market Maker in LEIPS-Stock Futures

(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-Stock Futures 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-STOCK FUTURES – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-STOCK FUTURES – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-STOCK FUTURES – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-STOCK FUTURES 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/MRD/DP/14/2014 .
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-STOCK FUTURES 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 Ltd	
RIL (Reliance Ind Ltd)	
ICICI Bank Ltd	
INFOSYS Ltd	
HDFC Bank Ltd	
HDFC Ltd	
TCS (Tata Consultancy Services Ltd)	
Larson & Toubro Ltd	
Tata Motors Ltd	
ONGC (Oil and Natural Gas Corporation Ltd)	
SBI (State Bank of India)	
Axis Bank Ltd	
Mahindra & Mahindra Ltd	
Sun Pharmaceutical Industries Ltd	
Hindustan Uniliver Ltd	
Bharti Airtel Ltd.	
Wipro Ltd	
Dr. Reddys Laboratories Ltd	
Coal India Ltd	
Hero Motocorp Ltd	
Tata Steel Ltd	
Bajaj Auto Ltd	
Maruti Suzuki (India) Ltd	
Sesa Sterlite Ltd	
NTPC Ltd	
Cipla Ltd	
BHEL (Bharat Heavy Electricals Ltd)	
Gail India Ltd	
Hindalco Industries Ltd	
Tata Power Co Ltd	