**Consolidated Master Circular**

**Equity Derivatives Segment**

**(***As on December 30, 2016***)**

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**POSITION LIMITS**

# **Market Wide Position Limits for derivative contracts on underlying stocks**

Market Wide Position Limits for futures and options contracts on individual securities shall be 20% of the number of shares held by non-promoters in the relevant underlying security i.e. 20% of the free float in terms of the number of shares of a company.

The Exchange shall specify the market wide position limits on the last trading day of the month which shall be reckoned for this purpose during the next month.

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

## 1.2 **Market Wide Position Limit across Stock Exchanges**

Exchange shall disseminate Market Wide Position Limit (MWPL) and open interest of the security at BSE in respect of all securities on a daily basis latest by 6:30 pm as per the format specified below.

1. ISIN of the security
2. Name of the security
3. Symbol of the Security
4. Applicable MWPL limit (in terms of number of shares) of the security
5. Current day Open Interest (in terms of number of shares) of the security.

Further, aggregate open interest in each security across Exchanges shall be disseminated as per the format specified below on daily basis latest by 7:00 pm.

1. ISIN of the security
2. Name of the security
3. Symbol of the security
4. MWPL (in terms of number of shares) of the security
5. Current day Open Interest (in terms of number of shares ) of the security
6. Permissible limits for next day (in terms of number of shares) of the security

The aggregate open interest of the security across Exchanges shall be considered for purpose of monitoring of MWPL. If the aggregate open interest of the security across Exchanges exceeds 95 per cent of the MWPL, no fresh positions shall be permitted for the said security from the subsequent trading day. The normal trading in the security shall be resumed only after the aggregate open outstanding position across Exchanges comes down to 80% or below of the MWPL.

The link for the same is [Market Wide Position Limits](http://www.bseindia.com/markets/Derivatives/DeriReports/MWPL.aspx?expandable=0)

Violation of such limits shall attract action as specified in  [Point 1.7](#_1.3_Position_Limits)

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# **Trading Member wise Position Limit**

# 1.3.1. 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.

# 1.3.2. 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

# 1.3.3 Futures and Option contracts on individual securities:

The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL).

The Exchange shall specify the trading member-wise position limits on the last trading day of the month which shall be reckoned for this purpose during the next month.

1.4 Position Limits for FII/ FPI category I & II and MF

# 1.4.1 Position limits on individual securities

The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL).

# 1.4.2 Position limits in index Futures and Index options contracts:

FII/ FPI category I & II and MF position limit in all index future / options contracts on a particular underlying index shall be Rs.500 crores or 15 % of the total open interest of the market

in index future / options, whichever is higher. This limit would be applicable on open positions in all future / options contracts on a particular underlying index.

This limit would be applicable on open positions in all futures /Options 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:

1. 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.
2. 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. [Go Top](#_top)

# **1.5** **Position Limits for Clients/ FPI Category III/FII Sub-Accounts/ Schemes of Mutual Funds & NRIs**

1.5.1. Futures and Option contracts on individual securities

The gross open position across all the derivative contracts for a security for each specific client or Sub account or Mutual Fund shall not exceed higher of:

- 1% of the free float market capitalization (in terms of number of shares)

OR

- 5% of the open interest in all derivative contracts in the same underlying stock (in terms of number of shares)

## **1.5.2 Limits for Clients, FII Sub – accounts/FPI category III, Schemes of Mutual Funds** *and NRI*

**1.5.2.1 Index Futures and 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.

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## 1.6 **Monitoring of Positions based on Unique Client Codes**

The client level positions limits shall be monitored at the unique client code level based on the client details uploaded by the member to the Exchange. The client level position limits shall be applicable on the combined positions for the same clients trading through different members, as well.

In all the above cases, members shall ensure that client-level position limits are kept within the permissible limits. In the event of a violation, the trading member/ clearing member shall be required to ensure that –

* 1. The client does not take fresh positions and
  2. The position of such clients are reduced so as to be within permissible limits.

Violation of such limits shall attract action as specified in [**Item 1.7**](#_1.3_Position_Limits)

These position limits shall be applicable on the combined position in all futures and options contracts on an underlying security. [Go Top](#_top)

# 1.7 Market wide Position Limit violation

1. At the end of each day the Exchange shall test whether the market wide open interest across Exchanges for any security exceeds 95% of the market wide position limit for that security. If so, the open position of all client/ trading members as at the end of that day in that security shall be taken, and from next day onwards the client/ trading members shall trade only to decrease their positions through offsetting positions till the normal trading in the security is resumed.
2. The normal trading in the security shall be resumed only after the open outstanding position across Exchanges comes down to 80% or below of the market wide position limit
3. The dissemination of market wide position limits shall be given at regular interval or such other duration as may be decided by the relevant authority from time to time.

# 1.7.1 Penalty and penal charges for limit violation

Penalty norm for violation of Market Wide Position Limit on individual securities–

 1% of the value of increased position subject to a minimum of Rs. 5,000 and a maximum of Rs. 1, 00,000.

[**Violation of SEBI prescribed Market Wide Position Limit for futures and options on individual securities.**](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20040910-12)

## Penalty norm for violation of Market Wide Position Limit

[**VOILATION OF SEBI PRESCRIBED MARKET WIDE POSITION LIMIT**](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20040901-7)

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# MARKET PARAMETERS

# 2.1 Dynamic Circuit Filter

Based on the movement of the underlying in either direction, the dynamic price bands may be relaxed during the day in co-ordination with the other Exchange.

Further, dynamic price band may also be relaxed by the Exchange if a minimum of 10 trades executed with multiple UCC on both sides of the trade at or above 9.90% or more of the base price and in further multiples of 5% of the price movement

[**Revision in Dynamic circuit filter for Stocks Futures /Index Future**](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20140509-27)

# 2.2 Introduction of Paired Option contracts in Equity Derivatives Segment

Trading Members of the Exchange are hereby informed that the Exchange has introduced a new facility to enter orders in paired option contracts in its Equity Derivatives segment. Paired option contracts allow a trader to take positions across two different option contracts belonging to the same underlying asset by entering a single order.

**Following are the highlights of paired options contract:-**

1. Paired options contracts are 2-legged contracts that shall allow a trader to take positions on 2 different option contracts belonging to the same option product, at the same strike price and having the same expiry.
2. Paired option contracts shall be made available on SENSEX option and 10 single stock option products that are part of the SENSEX index. List of option products with paired options shall be communicated in due course.
3. Market lot, tick size and expiry of such contract shall be same as that of its corresponding   individual leg.
4. These contracts shall be available on current, near and far monthly contract.
5. Paired option contract shall comprise of one Call leg and one Put leg having same strike price and expiry.
6. **Buying** such contract implies taking a buy position in the individual Call option contract and sell position in the individual Put option contract with same strike price and expiry.
7. Similarly, **selling** such contract implies taking a sell position in the individual Call option contract and buy position in the individual Put option contract with same strike price and expiry.
8. Each paired option contract shall have its own order book and order entered in such contract shall be executed as per the normal price time priority logic.
9. Matching in each paired contracts shall result in 2 trades – one trade in the individual Call option contract and other trade in the individual Put option contract.
10. The trade executed in such contracts shall be decomposed into in its respective simple contract legs, similar to the calendar future spread.

[Introduction of Paired Option contracts in Equity Derivatives Segment](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20150522-54)

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# 2.3 PAN-based Self-trade Prevention Check Functionality for Equity Derivatives segment

Self-trade prevention check was introduced based on Permanent Account Number (PAN) of clients. Using the PAN details available in the Exchange records, the aforesaid check shall help prevent matching between a buy and a sell order of a client placed by different members in the same order book. All other characteristics of the STPC mechanism shall continue to be applicable.

[PAN-based Self-trade Prevention Check Functionality for Equity Derivatives segment](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20150910-21)

# 2.4 Policy for Annulment of trades undertaken on BSE Trading platform

**Trade Annulment request - Eligibility Criteria for submission** The trade/s for which annulment is requested shall be called as “Trade/s in question” hereafter for brevity and shall have to fulfill all the conditions stated below for the Exchange to accept it for further processing;

1. Value of such trade/s in question shall be ; Future Contracts - Trade Value in case of Futures Contract is at least Rs. 20 Lac OR Option Contract - Trade Premium value is at least Rs. 20 Lacs Where a trade refers to a single transaction of Rs. 20 Lacs & above or series of transactions emanating out of a single order with aggregate value of Rs. 20 Lac and above.
2. It shall be the first request for annulment by the trading members during the calendar Quarter in the segment
3. Trade Annulment request submitted within 30 minutes from the occurrence of the trade.
4. Trade/s in question are not arising out PAN based wash trades.

[Policy for Annulment of trades undertaken on BSE Trading platform](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20150814-27)

[Policy for Review of Trade Annulments undertaken on BSE Trading platform](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20151021-36)

# 2.5 Introducing Price Reasonability Check for Equity Derivatives Segment

Price reasonability check (PRC) functionality was introduced in Equity Derivatives segment as a measure to further strengthen the Exchange’s pre-trade risk management framework. In PRC functionality, each new (incoming) limit order price shall be validated with the Exchange defined Price Reasonability Range (PRR). PRR shall be 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. It shall not be applicable for calendar spreads and paired option contracts.

**Salient Features of Price Reasonability Check (PRC) functionality**

1. It is applicable to incoming limit orders.
2. Price of incoming limit orders is checked with respect to PRR prevailing at that point of time.
3. PRR is dynamically computed using a real-time reference price. The Reference price shall be based on Best Bid/Offer prices on each contract/security.
4. Incoming orders outside of the PRR at that particular time shall be rejected.
5. If best bid/offer price is not available or if the spread between best bid & best offer price is too wide, then the system shall compute PRR using LTP or previous close price as the reference price, as applicable.
6. Trading system automatically switches, in real-time, between using the best bid/offer price and LTP (or previous close price) as the reference price to compute PRR, depending upon the order book situation.

[Introducing Price Reasonability Check for Equity Derivatives Segment](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20160113-2)

1. Revision in Price Reasonability Check for Index and Stock future contracts

There is a revision in PRR in percentage term for Stock Futures and Index Futures contracts.

[Revision in Price Reasonability Check for Index and Stock future contracts](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20160205-15)

# 2.6 Prevention of Reversal Trades in Equity Derivatives segment

Prevention of Reversal Trades check was introduced with an intention to prevent potential cases of trade reversal taking place on the Exchange trading platform. In this measure, the second leg (latest leg) of a reversal trade shall be automatically cancelled by the Exchange at the time of order matching in an on-line real time manner in the trading system.

Prevention of Reversal Trades in Equity Derivatives segment [Go Top](#_top)

# 3. Index based market-wide circuit breaker mechanism

Based on the recommendations of Secondary Market Advisory Committee (SMAC), it has been decided to partially modify the system of index based market wide circuit breaker as under:

## 3.1.1 Daily revision of index based market-wide circuit breaker limits:

The stock exchange on a daily basis shall translate the 10%, 15% and 20% circuit breaker limits of market-wide index variation based on the previous day's closing level of the index. Additionally, a 15 minutes pre opening session post each trading halt will be introduced.

## 3.1.2 Resumption of trading after the halt with a pre-open call auction session

The index-based market-wide circuit breaker system will apply at 3 stages of the index movement, either way viz. at 10%, 15% and 20%. These circuit breakers when triggered will bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the S & P BSE Sensex or the NSE CNX Nifty, whichever is breached earlier.

The trigger limits, respective halt duration and Pre Opening Session duration is given below:

|  |  |  |  |
| --- | --- | --- | --- |
| Trigger Limit | Trigger Time | Halt duration | Pre Opening Session duration post each halt |
| 10 % | Before 1 Pm | 45 Minutes | 15 Minutes |
| At or After 1 PM to 2.30 PM | 15 Minutes | 15 Minutes |
| At or after 2.30 PM | No Halt | - |
| 15 % | Before 1 PM | 1 Hour 45 minutes | 15 Minutes |
| At or after 1 PM before 2 PM | 45 Minutes | 15 Minutes |
| On or after 2 PM | Trading halt for the remainder of the day. | - |
| 20 % | Any time of the day | Trading halt for the remainder of the day. | - |

[**Index based market wide circuit breaker from October 14, 2013 onwards**](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20131011-22)

# 4. Trading and Surveillance Obligations for Trading members

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

[**Surveillance Obligations for Trading Members**](http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20130307-21)

**The same was made available to the trading members from April 02,2013**

# 5. Regulatory Disclosures Made by the Exchange

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.

The link for the same is as follows.;

[Participant wise Trading Volume/Open Interest Data](http://www.bseindia.com/markets/Derivatives/DeriReports/DeriMarketDisclosures.aspx?expandable=1)

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## 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.

The link for the same is as follows.;

[Volume and Turnover Data of Top 10 Clearing Members](http://www.bseindia.com/markets/Derivatives/DeriReports/DeriClearingMember.aspx?expandable=1)

## 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.

The link for the same is as follows;

[Client Position Details](http://www.bseindia.com/markets/Derivatives/DeriReports/DeriClientPosition.aspx?expandable=1)

## 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,

[Disclosure of Position of Connected Entities](http://www.bseindia.com/markets/Derivatives/DeriReports/Deripositiongroup.aspx?%09expandable=1)

## 5.5 Market Wide Position Limit

The position limits for individual securities and the position limits for Trading Members/ Clients and Categories of FII/ FPI, is disseminated on monthly basis and also when there are corporate actions such as dividend and others impacting share capital in any of the underlying securities in Derivatives segment.

The data can be accessed through;

[Market Wide Position Limit](http://www.bseindia.com/markets/Derivatives/DeriReports/download.aspx?expandable=7)

## 5.6 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.

[Proprietary Trade Positions-Derivatives Segment](http://www.bseindia.com/members/deri_segment.aspx?expandable=5)

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