

## **LEIPS-IX**

*( Effective from 1st February 2013)*

Pursuant to SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011 (BSE Notice no-20110602-18, dated June 02, 2011), permitting stock exchanges to introduce Liquidity Enhancement Schemes (LES) for illiquid securities in their equity derivatives segment, the Exchange has launched a series of **Liquidity Enhancement Incentive Programmes (LEIPS)** with the goal of creating lasting, self-sustaining liquidity in BSE's Derivative Segment.

**With effect from February 01, 2013, the Exchange is launching a new programme—LEIPS IX. The programme focuses on SENSEX Futures Contracts .**

The programme incentivizes both Market Makers (MMs) and General Market Participants (GMPs) by payment of cash for their participation as per prescribed terms and conditions.

Active trading members of Derivative Segment of the Exchange who have already signed up in LEIPS-VI, LEIPS-VII & LEIPS-VIII programme as GMPs shall be treated as GMPs in LEIPS-IX programme as well. Trading members who wish to opt out of the LEIPS-IX programme as GMPs shall be required to intimate the Exchange of the same .

Registered Market Makers of LEIPS-VI, LEIPS-VII & LEIPS-VIII programme shall have to register themselves as a Market Maker in LEIPS-IX programme & expressly indicate their interest to do Market Making in the underlying securities eligible under LEIPS-IX programme.

Other active trading members of Derivative Segment of the Exchange can register themselves as a Market Maker (MM) or a General Market Participant (GMP) for this programme as well.

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in SENSEX Futures contracts . The programme offers 3 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
3. Lower transaction fees for all active trading members.

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 as applicable vide SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011.

LEIPS-IX programme shall remain in force till July 31, 2013 i.e. 6 months.

In accordance with the aforesaid SEBI circular the Exchange may amend / discontinue the programme at any time with an advance notice of 15 days. Also, the programme shall be discontinued as soon as the average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.

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

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Liquidity Enhancement Incentive Programme (LEIPS-IX) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivative segment. **LEIPS-IX focuses on SENSEX Futures.** The programme incentivizes both MMs and GMPs by payment of cash for participating in the programme as per prescribed terms and conditions.

Clause 1 – Incentives / Benefits	Market Makers						General Market Participants																					
	Futures (Rs. /Cr.)						Futures (Rs. /Cr.)																					
	Passive*			Active*			Passive*		Active*																			
	Buy	Sell		Buy	Sell		Buy	Sell	Buy	Sell																		
<b>Trading Volume<sup>†</sup> Based Cash Incentive Pro-rata basis</b>	1,800	1,800		1,100	1,100		1,100	1,100	1,100	1,100																		
<b>Open Interest<sup>‡</sup> Cash Incentive</b>	Based on total daily OI of SENSEX futures <sup>#</sup> across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> <li>Till above mentioned total OI is less than or equal to Rs. 800 Cr on any given trading day, Rs. 100 per Cr. of member OI</li> <li>If above mentioned total OI exceeds Rs. 800 Cr on any given trading day, then for that day, incentive shall be paid from Pool of Rs. 0.80 Lakhs per day.</li> </ul>																											
<b>Retail Incentive</b>	<ul style="list-style-type: none"> <li>Retail incentive program as per Exchange notice number 20121106-36 dated November 06,2012,notice no 20130104-2 dated January 04, 2013 and notice no 20130114-16 dated January 14,2013</li> </ul>																											
<b>Transaction Fees</b>	Passive (Rs/Cr)			Active (Rs/Cr)																								
	0			50																								
<b>Quote</b>	Provide 2-way continuous quote during regular trading hours for 85% of trading time in market making futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis).  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)						No Obligations																					
<b>Spread, Size Specification</b>	Futures – (Current Month Contracts) <ul style="list-style-type: none"> <li>Maintain spread-size ratio of the quote to maximum 1</li> <li>The maximum spread cannot exceed 5 index points</li> <li><b>Examples—Permissible Combinations</b></li> </ul> <table border="1"> <thead> <tr> <th>Spread (Index Point)</th> <th>Contract Size (Market Lot)</th> <th>Ratio (Max = 1)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>2</td> <td>2</td> <td>1</td> </tr> <tr> <td>3</td> <td>4</td> <td>0.75</td> </tr> <tr> <td>4</td> <td>6</td> <td>0.67</td> </tr> <tr> <td>5</td> <td>10</td> <td>0.5</td> </tr> </tbody> </table>										Spread (Index Point)	Contract Size (Market Lot)	Ratio (Max = 1)	1	1	1	2	2	1	3	4	0.75	4	6	0.67	5	10	0.5
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3	4	0.75																										
4	6	0.67																										
5	10	0.5																										
<b>Roll Period (5-days prior to expiry)</b>	During the roll period, MMs shall be required to maintain quote obligations in both current month contracts and roll over contract as per spread –size specification above.																											
<b>After the daily volume cap is breached</b>	MMs shall be required to quote as per spread-size obligations in futures throughout the day uniformly even after the volume incentive cap is breached.						No Obligation																					

<sup>†</sup> Incentives are payable only for current, near and far month expiration on monthly futures contracts on eligible underlying

\* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

# Open Interest— Futures contracts that are not closed or delivered at the end of a particular day, except current month futures contracts on their day of expiry.

© Open Interest incentives shall be applicable on incentive eligible contract series only that shall be published by the exchange on a daily basis

	Market Makers	General Market Participants
Clause 3	<p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>Members have to register with the exchange to participate as a MM</li> <li>Net worth of Rs. 1 Cr. (~ USD 0.20 Million)</li> <li>No serious disciplinary action against the member in the last 1 year</li> </ul>	<p>Members have to register with the exchange to be eligible for the incentives</p>
Clause 4	<p><b>Penalty— Monitoring Obligations</b></p> <ul style="list-style-type: none"> <li>Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day.</li> <li>In case of non fulfillment of obligations for a specific day, MM's incentive payment shall be at GMP rate.</li> <li>Exchange provides online system (<a href="https://leipsmm.bseindia.com">https://leipsmm.bseindia.com</a>) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity.</li> <li>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.</li> </ul>	<p>Exchange 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 markets</p>
Clause 5	<p><b>Daily Caps –</b></p> <ul style="list-style-type: none"> <li>Cash volume incentives paid upto a maximum volume of Rs. 207.5 cr. in SENSEX futures contracts.</li> <li>Total Volume incentive cap divided into 375 time period caps of 1 minute each.</li> <li>For first 10 and last 10 minutes of trading time volume cap shall be of Rs.1.5 crore per minute .</li> <li>For the rest of the trading period of 355 minutes volume cap shall be of Rs.0.50 crore per minute.</li> <li>Incentive to be paid on pro-rata basis on volume contributed by each member in particular time period cap</li> <li>Illustration: - Exchange turnover in first 1 minute period = Rs. 3 Cr                      Per minute time period cap in first 10 minute = Rs. 1.5 Cr                      Member Turnover in 1st minute = Rs. 2 Cr (1 Cr Active + 1 Cr Passive)                      Incentive payout for 1st minute turnover at GMP rates for passive trades = <math>(1.5 * 1/3) * 1100</math>                      = Rs.550/-                      Incentive payout for 1st minute turnover at GMP rates for active trades = <math>(1.5 * 1/3) * 1100</math>                      = Rs.550/-                      Total Incentive Payout = Rs. 550 + Rs. 550 = Rs. 1100</li> </ul>	
Clause 6	<p><b>Payment</b></p> <ul style="list-style-type: none"> <li>Daily basis for GMPs- at rate of Rs. 1,100 / Cr.</li> <li>Daily basis for MMs - Additional trading volume based cash incentive for fulfilling MM obligations at rate of Rs. 700/Cr. of member volume. (passive side of their volume *)</li> <li>All cash payouts will be paid after TDS deductions. TDS certificate will be issued on quarterly basis</li> <li>Service Tax related to incentive payouts will be paid to the members upon submission of invoice</li> </ul> <p>(* Half of each per minute cap volume shall be considered for MM incentive pro-rata base calculation)</p>	
Clause 7	<p><b>Eligible Securities / Underlying</b></p> <ul style="list-style-type: none"> <li>Sensex Futures</li> </ul>	<p>Sensex Futures</p>
Clause 8	<p><b>Time Lines</b></p> <ul style="list-style-type: none"> <li>Scheme Launch—1st February 2013</li> <li>The programme shall run till average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.</li> </ul>	

**Registration Form for Market Maker in LEIPS-IX**

(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-IX 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-IX – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-IX – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-IX – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-IX 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/DNPD/5/2011.
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-IX 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	Futures
SENSEX	

Registration Form for General Market Participant (GMP)

Please print the form on next page on the official stationary (letter head) of the member and  
Submit it to your relationship manager.

To,  
Business Development,  
BSE Ltd,  
P.J Towers, Dalal Street,  
Mumbai 400001, India  
Fax: (022) 2272 3001

Registration as General Market Participant (GMP)

1. We \_\_\_\_\_(name of the member / Clearing Number) would like to register in LEIPS programme as a General Market Participant.
2. We have read and understood the details of the LEIPS programme.
3. We are aware that we have to follow a separate registration process if we are interested to participate in LEIPS programme as a Market Maker.
4. 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 or amend the programme or expand one or more of the conditions laid down in their circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:

Front Office Vendor: \_\_\_\_\_

Back Office Vendor: \_\_\_\_\_

7. Listed below are the contact details of designated person from our organization for all derivatives related transactions:

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Mobile: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_  
Name Position (of Designated Person)

\_\_\_\_\_  
(Signature / Stamp of the company)

\_\_\_\_\_  
Place, Date

\_\_\_\_\_  
Phone / Fax/ Email Id