

## **LEIPS-VIII**

*( Effective from 16th January 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 January 16, 2013, the Exchange is launching a new programme—LEIPS VIII. The programme focuses on Single Stock Futures contracts on the 30 underlying scrips forming part of SENSEX .**

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

Registered Market Makers of LEIPS-V, LEIPS-VI and LEIPS-VII programme shall have to register themselves as a Market Maker in LEIPS- VIII programme & expressly indicate their interest to do Market Making in the underlying securities eligible under LEIPS-VIII 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 Single Stock Futures contracts on aforesaid underlyings. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Quote based incentives for MMs
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
4. 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-VIII programme shall remain in force till July 15, 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.

DISCLAIMER: The Information is provided "AS IS" and without warranty of any kind other than as expressly provided in the present. While reasonable care has been taken to ensure the accuracy and completeness of the information provided herein, BSE Ltd ("BSE") does not warrant, guarantee or make any representation concerning the use, results of use or inability to use the information and shall not be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered due to any omission, error, inaccuracy, incompleteness, or otherwise, any reliance on such information. The information in this document is subject to change without notice. Registration of a Member of BSE in LEIPS-VIII Programme is at the sole discretion of BSE, and is subject to compliance with the eligibility requirements and all other applicable laws and regulations, circulars, rules and directives. Notwithstanding anything contained herein, BSE shall have absolute discretion and right to vary, add to and delete any or all of the eligibility requirements and criteria for such registration.

Liquidity Enhancement Incentive Programme (LEIPS-VIII) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivatives segment. **LEIPS-VIII focuses on Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX.** The programme incentivizes both MMs and GMPs by payment of cash for participating in the programme as per prescribed terms and conditions.

	Market Makers				General Market Participants				
<b>Clause 1 – Incentives / Benefits</b>	<b>Trading Volume<sup>†</sup> Based Cash Incentive Pro-rata basis</b>	<b>Futures (Rs. /Cr.)</b>				<b>Futures (Rs. /Cr.)</b>			
		Passive*		Active*		Passive*		Active*	
		Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
		2,200	2,200	500	500	1,500	1,500	0	0
<b>Quoting Based Cash Incentive</b>	Upon fulfillment of Quote Obligation, qualified MMs shall be paid incentives (refer Annexure 1 overleaf). Additional Rs. 50,000/- of Quoting incentive will be paid to the MM provided they qualify as MM for any of the 25 stocks out of the basket of all SENSEX stocks (Future contracts) across all sessions through out the day (refer to Annexure 1 overleaf)				Not Applicable				
<b>Open Interest<sup>#†</sup> Cash Incentive</b>	Based on total daily OI of Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX as per table 2 overleaf <sup>#c</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. 100 Cr on any given trading day, Rs. 100 per Cr. of member OI</li> <li>If above mentioned total OI exceeds Rs. 100 Cr on any given trading day, then for that day, incentive shall be paid from Pool of Rs. 10,000 per day.</li> </ul>								
<b>Transaction Fees</b>	<b>Passive (Rs/Cr)</b>		<b>Active (Rs/Cr)</b>						
	0		50						
<b>Clause 2 – Obligations</b>	<b>Quote Obligation</b>	Provide 2-way continuous quote for 75% of the time as per the slots defined (refer Annexure 1) on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). Additional Rs. 50,000/- of Quoting incentive will be paid to the MM provided they qualify as MM for any of the 25 stocks out of the basket of all SENSEX stocks (Future contracts) across all sessions through out the day. 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)							
	<b>Spread, Size Specification</b>	SENSEX 30 Stocks – (Current Month Contracts) <ul style="list-style-type: none"> <li>Maintain spread-size as per Table 1 below:</li> </ul>				No Obligations			
	<b>Table 1: Spread-Size Specification for 30 Stocks of SENSEX as per Table 2 overleaf</b>								
	<b>Percentage of Bid Price</b>	<b>Minimum Lots (No. of Contracts)</b>							
0.1	1								
0.2	2								
0.3	3								
0.4	4								
<b>Roll Period (5-days prior to expiry)</b>	No roll over period Obligation								
<b>After the daily volume cap is breached</b>	MMs shall be required to quote as per spread-size obligations in SENSEX Stock Futures contract as per the slots defined.				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— SENSEX Stock Futures contracts that are not closed or delivered at the end of a particular day.

<sup>c</sup> 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	<b>Eligibility</b> <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>	Members have to register with the exchange to be eligible for the incentives.								
Clause 4	<b>Penalty—Monitoring Obligations</b> <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>	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								
Clause 5	<b>Incentive Ceilings</b> <p><b>Daily Caps</b> — Cash volume incentives paid upto a maximum volume of Rs. 100 cr. in Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX</p> <table border="1"> <thead> <tr> <th>Total No. of Time Period</th> <th>Turnover Cap</th> </tr> </thead> <tbody> <tr> <td>09:15 AM to 12:30 PM</td> <td>50 Cr.</td> </tr> <tr> <td>12:30 PM to 03:30 PM</td> <td>50 Cr.</td> </tr> <tr> <td>Daily Volume Incentive cap</td> <td>100 Cr.</td> </tr> </tbody> </table> <p>Incentive to be paid on pro rata basis once the time period wise turnover cap is hit.            Example:            A) 09:15 AM to 12:30 PM :- (Passive side turnover)            Member A turnover —Rs.15Cr; Market Turnover—Rs.60 Cr            Member A payout at GMP rates—Rs 15 Cr*(Rs 50Cr/Rs.60Cr)*Rs.1,500/- = <b>Rs.18,750/-</b>            B) 12:30 PM to 03:30 PM :- (Passive side turnover)            Member A turnover —Rs.25Cr; Market Turnover—Rs.70 Cr            Member A payout at GMP rates—Rs 25 Cr*(Rs 50Cr/Rs.70Cr)*Rs.1,500/- = <b>Rs.26,785.71/-</b>            Member A total payout at GMP rate—Rs.18,750 + Rs 26,785.71 = <b>Rs.45,535.71/-</b></p>	Total No. of Time Period	Turnover Cap	09:15 AM to 12:30 PM	50 Cr.	12:30 PM to 03:30 PM	50 Cr.	Daily Volume Incentive cap	100 Cr.	
Total No. of Time Period	Turnover Cap									
09:15 AM to 12:30 PM	50 Cr.									
12:30 PM to 03:30 PM	50 Cr.									
Daily Volume Incentive cap	100 Cr.									
Clause 6	<b>Payment</b> <ul style="list-style-type: none"> <li>Daily basis for GMPs- at rate of Rs. 1,500 / Cr for passive trades.</li> <li>Daily basis for MMs - Additional trading volume based cash incentive for fulfilling MM obligations at rate of Rs. 1,700 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 time period wise turnover cap to be considered for pro-rata calculation of additional trading volume based cash incentive to MM.</p>									
Clause 7	<b>Eligible Securities / Underlying</b> <p>Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX (refer Table 2 overleaf)</p>	Single Stock Futures contracts on 30 underlying scrips forming part of SENSEX (refer Table 2 overleaf)								
Clause 8	<b>Time Lines</b> <ul style="list-style-type: none"> <li>Scheme Launch—16th January, 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>									

### **Annexure 1: Incentive Structure**

- MMs will be paid quoting incentive provided they are present 75% of each slot as per the table 1 given below. If the MM is qualified only for a specific slot then MMs will be eligible to receive the incentive amount indicated for the respective slot only.
- Incentive amount of each slot per stock as per table 1 below will be cap of that particular slot, after which the incentives will be paid on pro rata basis per slot per stock.
- Additional quoting incentive of Rs. 50, 000/- will be paid to the MMs provided they qualify as a MM for any of the 25 stocks out of the basket of all SENSEX stock across all sessions through out the day. If the total additional quoting incentive amount across all MMs crosses Rs.50,000/- the same shall be paid on pro rata basis.
- Quoting incentive of Rs. 4,200/- per stock amounting to total quoting pool of Rs.1,26,000/- for 30 stocks per day.
- Total Quote incentive pool per day would be at Rs. 1,26,000/- + Rs. 50, 000/- = **Rs. 1,76,000/-**

<b>Table 1- Time range for each slot</b>		
<b>Slot</b>	<b>Time Frame</b>	<b>Incentive Amount in Rs.</b>
1	09:15 AM - 10:30 AM	1000
2	10:30 AM - 11:30 AM	600
3	11:30 AM - 12:30 PM	500
4	12:30 PM - 01:30 PM	500
5	01:30 PM - 02:30 PM	600
6	02:30 PM - 03:30 PM	1000
TOTAL		4200

<b>Table 2 - List of 30 Underlying stock of SENSEX eligible for LEIPS-VIII incentive scheme</b>		
<b>Underlying</b>	<b>Underlying</b>	<b>Underlying</b>
ITC	ONGC	Coal India
RIL	Hindustan Uniliver	Cipla
ICICI Bank	Mahindra & Mahindra	Maruti Suzuki
HDFC Bank	Bharti Airtel	BHEL
HDFC Ltd	Bajaj Auto	Hero MotoCorp
Infosys	Sun Pharma	Jindal Steel
L&T	Tata Steel	Tata Power
TCS	NTPC	Gail India
SBI	Wipro	Sterlite Inds
Tata Motors	Dr. Reddys Lab	Hindalco Inds

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

Registration Form for Market Maker in LEIPS-VIII

(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-VIII 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-VIII – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-VIII – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-VIII – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-VIII 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-VIII 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	
RIL	
ICICI Bank	
HDFC Bank	
HDFC Ltd	
Infosys	
L&T	
TCS	
SBI	
Tata Motors	
ONGC	
Hindustan Uniliver	
Mahindra & Mahindra	
Bharti Airtel	
Bajaj Auto	
Sun Pharma	
Tata Steel	
NTPC	
Wipro	
Dr. Reddys Lab	
Coal India	
Cipla	
Maruti Suzuki	
BHEL	
Hero MotoCorp	
Jindal Steel	
Tata Power	
Gail India	
Sterlite Inds	
Hindalco Inds	