**Annexure (I)**

**Detailed Guidelines for Market Makers**

**(A) Selection of Designated Primary Market Maker –**

* Trading Members (TM) for self or behalf on their client shall submit their bids in BEFS portal.
* Bids to be submitted from August 13,2019 to August 19,2019.
* A Trading member can submit bids for self or for their clients clearly mentioning the client code in which they intend to do Market Making.
* Member can apply for Market Making from the list of securities specified by the Exchange.
* Members should apply product wise Market Making applications in BEFS Portal.
* The bids received from the trading members of the Exchange shall be evaluated on an objective selection criterion.
* Based on the scores, Top Two Trading members for each SENSEX Futures & SENSEX Options shall be selected as Designated Primary Market Makers, however the market making obligation for both Market makers shall be determined based on the lowest obligation of each parameters received from both Market Makers -

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| --- | --- |
| **Obligations** | **Criteria to be applicable for both MM's** |
| Presence (%) | Lowest Presence of the Top Two shortlisted MM |
| No of Contracts | Lowest Contracts of Top Two shortlisted MM |
| Spreads (index points) | Highest Spreads of Top Two shortlisted MM |

* Based on the scores, Top Trading Member for each Stock Futures & Stock Options shall be appointed as the designated Market makers.
* Based on the initial evaluation of scores, if the scores of two or more members matches with each other, then Exchange shall allow respective members to resubmit the revised bids within one working day.
* Exchanges decision with respect to the selection of Market Maker shall be final and binding.

**Evaluation criteria of Market Making-**

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| **Minimum Obligation** | **SENSEX Futures** | **Increase in Points** |
| Base Presence Requirements | 85% | For every additional 1% over base requirement, score will be increased by 20 points. |
| Minimum Quantity of contracts | 5 | For every additional 2 contracts, score will be increased by 10 points |
| Bid ask spread in the top line (Index Points) | 4 | For every Index Point reduction in spread, the score will be increased by 30 points |
|  | | |
| **Minimum Obligation** | **SENSEX Options** | **Increase in Points** |
| Base Presence Requirements | 85% | For every additional 1% over base requirement, score will be increased by 20 points. |
| Minimum Quantity of contracts on touchline | 5 | For every additional 2 contracts, score will be increased by 10 points |
| Bid ask spread in the top line | 1.00% | For every reduction by 0.10%, the score will be increased by 30 points. Further every reduction in bid ask spread shall also be applicable at all the spread % mentioned in maximum permissible spread % table in scheme details (Annexure II) |
|  | | |
| **Minimum Obligation** | **Stock Futures (For each stock)** | **Increase in Points** |
| Base Presence Requirements | 85% | For every additional 1% over base requirement, score will be increased by 20 points. |
| Minimum Quantity of contracts on touchline | 5 | For every additional 2 contracts, score will be increased by 10 points |
| Bid ask spread in the top line | 0.20% | For every reduction by 0.05%, the score will be increased by 30 points |
|  |  |  |
| **Minimum Obligation** | **Stock Options (For each stock)** | **Increase in Points** |
| Base Presence Requirements | 85% | For every additional 1% over base requirement, score will be increased by 20 points. |
| Minimum Quantity of contracts on touchline | 5 | For every additional 2 contracts, score will be increased by 10 points |
| Bid ask spread in the top line | 2.00% | For every reduction by 0.10%, the score will be increased by 30 points |

**Failure by Designated primary Market Maker**

* In case of failure of obligations by Designated Primary Market Maker for 3 working days (without any official intimation to exchange), such MM shall cease to be Market Maker.
* Similarly, in case Designated primary Market Maker is not willing to participate as Market Maker, Member shall officially inform exchange about the same.
* In above cases, Next best bids based on the evaluation parameter shall be given opportunity to become Designated Primary Market Maker on Immediate basis or maximum 3 working days.
* In case of failure in fulfilling the market making obligation by Designated Primary Market Maker, MM shall be given a waiver of maximum one day in a month as grace period (Only applicable in case of technical reasons and fast market conditions).
* Exchange reserves the right to amend or discontinue the existing designated primary market maker and appoint a new designated primary market maker at any point of time.

**(B) Selection of Secondary Market Maker –**

* Members for self or on behalf of client can apply for becoming designated secondary market maker.
* Member need to apply thru BEFS portal of the exchange.
* Designated primary market maker shall be automatically considered as a secondary market maker for the same contract.

**(C) Incentive Payout**

* Quoting incentive shall be paid on pro-rata basis in case the scheme is launched or discontinued in middle of the month. In case designated market maker is appointed in middle of the month, both previous and new market maker will receive quoting incentive on pro-rata basis, if qualified.
* Incentive shall be calculated on daily basis and shall be paid on monthly basis to the market maker.
* Respective market maker will be required to submit GST invoice on monthly basis for release of incentive payout.