**ANNEXURE**

**Amendment in Liquidity Enhancement Scheme (LES)**

1. **Securities Eligible under LES for DPMM –**
   1. S&P BSE Sensex Futures contracts (Monthly)
   2. S&P BSE Sensex Options contracts (Monthly)
2. **Securities Eligible under LES for secondary Market makers and other market participants –**
   1. S&P BSE Sensex Futures contracts (All contracts)
   2. S&P BSE Sensex Options contracts (All contracts)
   3. Single Stock Futures contracts (All contacts)
   4. Single Stock Options (All contracts)

* All other terms and conditions specified in the earlier relevant scheme shall remain unchanged.

1. **Designated Primary Market Makers (DPMM1 and DPMM2) selection process in S&P BSE Sensex Options Contracts –**

Members willing to be appointed as a designated primary market maker (DPMM1 and DPMM2) need to submit their bid for designated primary market maker in exchange prescribed format from February 17, 2020 to February 19, 2020. The detail of the market making application process and selection of market makers are mentioned below.

1. Interested members can submit the bid for DPMM1 and DPMM2 both. In case, member is found to be best bidder in both categories, then the Member will have to withdraw either of the bids and shall be considered for only one category of DPMM.
2. Member need to clearly mention the unique client code (UCC) in which they intend to do market making. Each member shall be allowed to apply for market making in only one client code.
3. Only one bid for DPMM1 and one bid for DPMM2 will be allowed per member.
4. The bids received from the trading members of the Exchange shall be evaluated on an objective selection criterion.
5. Bids are invited for full day presence, however DPMM shall be required to maintain minimum specified presence requirement for the individual sessions to avail additional incentives.
6. Basic bidding criteria for DPMM1 and DPMM2 are as mentioned below-

|  |  |  |
| --- | --- | --- |
| **Basic bidding criteria for DPMM 1** | | |
| **Minimum Obligation** | **S&P BSE SENSEX Options** | **Increase in Points** |
| Minimum Presence Requirements | 80% | For every additional 1% over basic requirement, score will be increased by 10 points. |
| Minimum Quantity of contracts on touchline | 4 Lots | For every additional 1 contract, score will be increased by 20 points |
| **Basic bidding criteria for DPMM 2** | | |
| **Minimum Obligation** | **S&P BSE SENSEX Options** | **Increase in Points** |
| Minimum Presence Requirements | 80% | For every additional 1% over basic requirement, score will be increased by 10 points. |
| Minimum Quantity of contracts on touchline | 2 Lots | For every additional 1 contract, score will be increased by 20 points |

1. Bidding criteria, as mentioned above, is the basic required criteria for bidders. Interested members may offer better bids in order to be considered for selection as a DPMM. After appointment as a DPMM, the respective DPMM shall have to fulfill quoting obligation as per their submitted bid.
2. Based on the total scores, best bidder of DPMM1 and best bidder of DPMM2 of S&P BSE Sensex Options contracts shall be selected as DPMM1 and DPMM2.
3. Initial bid for both DPMM1 and DPMM2 shall be submitted through BEFS system.
4. 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 Exchange specified timeframe. In such cases, member shall be required to submit revised bids thru email with password protected file and shall be required to share the password only after the lapse of cut off time as may be specified by the Exchange.
5. DPMMs will continue to be eligible under secondary market maker in case they register themselves under the secondary market maker scheme.
6. In the event of DPMM’s appointment during the month, DPMM’s quoting obligation to start form the date of appointment and he will be eligible to receive incentive on pro rata basis subject to terms and conditions specified in the scheme.
7. Strike moneyness for determining ATM strike for LES purpose shall be considered with strike ending with 0, 2, 4, 6, 8 at hundredth place (strike with nearest even multiples of 200 from previous day closing price shall be considered as ATM Strike for LES Purpose only – E.g. If closing price is 40101, then nearest even strike of 40200 shall be considered as ATM Strike). Post selection of ATM Strike for LES, subsequent strike interval of 100 shall be considered for determining moneyness of ITM & OTM Strikes.
8. Exchange decision with respect to the selection of DPMM1 and DPMM2 shall be final and binding to all bidders.
9. Exchange reserves the right to suspend or discontinue any DPMM in case of nonfulfillment of eligibility criteria or any mala fide intentions or interests observed on part of DPMM by the Exchange.
10. All other terms and conditions specified in the earlier scheme shall remain unchanged.
11. **Designated Primary Market Maker selection process in S&P BSE Sensex Futures Contracts-**
12. Exchange will continue with the current appointed DPMM, hence bids for DPMM is not invited for S&P BSE Sensex Futures contracts.
13. In case, the appointed DPMM fails to fulfill the quoting obligations, exchange shall continue with the next best bids as specified in the earlier scheme.
14. In case, none of existing members who have bid is willing to act as DPMM or is not able to qualify as per the quoting obligations as specified in the earlier LES, then exchange shall invite fresh bids from interested market makers by issuing requisite market wide notice.
15. **Failure by Designated Primary Market Maker in S&P BSE Sensex Options contracts -**
16. In case of failure to meet quoting obligations by Designated Primary Market Maker for more than 4 working days (without any official intimation to exchange), exchange will review the continuity of such DPMMs. In review, exchange may discontinue the existing DPMM and appoint the next best bidder as DPMM subject to the readiness of next best bidder to act as a DPMM.
17. In case appointed Designated primary Market Maker (DPMM) is not willing to participate as DPMM or not able to fulfill the eligibility criteria, DPMM shall be required to officially inform exchange about the same.
18. 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.
19. 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.

1. **Quote based Incentives in S&P BSE Sensex Options contracts –**
2. **Quoting Incentives for Designated Primary Market Makers (DPMM1) in Rs.**

|  |  |
| --- | --- |
| Daily Quoting Incentives (except E Day) for current month contract \* | 1,00,000 |
| Additional quoting incentive for E Day (Current & near month both) | 5,00,000 |
| Additional daily quoting incentive for presence in first half an hour (09:15 AM - 09:45 AM) - Minimum 70 % # | 30,000 |
| Additional daily quoting incentive for presence in last half an hour (03:00 PM - 03:30 PM) - Minimum 70 % # | 15,000 |
|  |  |
| Monthly quoting incentives $ | 31,90,000 |
| E - day incentives | 5,00,000 |
| Total DPMM 1 monthly quoting incentive $ | **36,90,000** |
|  | |
| **Non-fulfilment of quoting obligation** | |
| **Non-fulfilment of quoting obligation in a calendar month** | **Reduction of quoting Incentives** |
| 0 days | NIL |
| 1 days | 2,00,000 |
| 2 days | 4,00,000 |
| 3 days | 6,00,000 |
| 4 days | 8,00,000 |
| More than 4 days | None of the type of quoting incentives shall be paid |
| **Example –**   1. If DPMM1 fails to quote on 1 day (except E day) in entire calendar month, then incentives will be reduced by Rs 2,00,000 2. If DPMM1 fails to quote on 1 day (E day) in entire calendar month, then incentives will be reduced by Rs 7,00,000 (Rs 5,00,000 E day + Rs 2,00,000 daily). | |

1. **Quoting Incentives for Designated Primary Market Makers (DPMM2) in Rs.**

|  |  |
| --- | --- |
| Daily Quoting Incentives (except E Day) for current month contract \* | 25,000 |
| Additional quoting incentive for E Day (Current & near month both) | 1,20,000 |
| Additional daily quoting incentive for presence in first half an hour (09:15 AM - 09:45 AM) - Minimum 70 % # | 10,000 |
| Additional daily quoting incentive for presence in last half an hour (03:00 PM - 03:30 PM) - Minimum 70 % # | 5,000 |
|  |  |
| Monthly quoting incentives $ | 8,80,000 |
| E - day incentives | 1,20,000 |
| Total DPMM 2 monthly quoting incentive $ | **10,00,000** |
|  | |
| **Non-fulfilment of quoting obligation** | |
| Non-fulfilment of quoting obligation in a calendar month | **Reduction of Quoting Incentives** |
| 0 days | NIL |
| 1 days | 50,000 |
| 2 days | 1,00,000 |
| 3 days | 1,50,000 |
| 4 days | 2,00,000 |
| More than 4 days | None of the type of quoting incentives shall be paid |
| **Example –**   1. If DPMM2 fails to quote on 1 day (except E day) in in entire calendar month, then incentives will be reduced by Rs 50,000. 2. If DPMM2 fails to quote on 1 day (E day) in entire calendar month, then incentives will be reduced by Rs 1,70,000 (Rs 1,20,000 E day + Rs 50,000 daily). | |

**Note –**

1. Quoting Incentives shall be computed based on the fulfillment of quoting obligations as specified in the scheme, however in case total quoting incentive amount is less than or equal to 0, in such cases DPMM shall not be eligible to receive any quoting incentives.
2. \* Quoting incentive shall be calculated on a daily basis but shall be subject to the fulfillment of monthly quoting obligation as mentioned in the scheme.
3. # Daily session wise quoting incentive shall be subject to fulfillment of full day quoting obligations by DPMM.
4. $ Monthly quoting incentives have been calculated considering 22 working days in a month, actual payout will be subject to number of working days in a calendar month.
5. **Quoting Obligations in S&P BSE Sensex Options contracts -**
6. **Quoting obligation for Designated Primary Market Makers (DPMM1)-**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Premium based maximum permissible spread for quoting obligation for Designated Primary Market Maker (DPMM1)** | | | | | | |
| **Bid price range**  **(Rs.)** | **Maximum permissible spread between respective level bid ask (In Rs.)** | | | | **Number of Lots at level 1** | **Number of Lots at each level 2 & level 3** |
| **Level 1** | **Level 2** | **Level 3** | |
| 0.05 – 24.95 | 0.5 | 0.75 | 1.00 | | 4 | 2 |
| 25.00-49.95 | 0.75 | 1.00 | 1.25 | | 4 | 2 |
| 50– 99.95 | 1 | 1.25 | 1.50 | | 4 | 2 |
| 100-199.95 | 2 | 2.5 | 3 | | 4 | 2 |
| 200-299.95 | 3 | 3.5 | 4 | | 4 | 2 |
| 300-399.95 | 4.5 | 5.5 | 6.5 | | 4 | 2 |
| 400-499.95 | 6 | 7.5 | 9 | | 4 | 2 |
| 500-699.95 | 7 | 8.5 | 10 | | 4 | 2 |
| 700-899.95 | 8 | 9.5 | 11 | | 4 | 2 |
| 900 and above | 10 | 11.5 | 13 | | 4 | 2 |
| **Eligible strikes for quoting for DPMM1 (Call and Put both)** | | | | | | |
| All market days | Current month contracts | | | ATM Strike as per LES criteria,  ITM 2, ITM 4,  OTM 2, OTM 4, OTM 6, OTM 8, OTM 10, OTM 12  (DPMM1 needs to qualify in minimum 16 strikes out of the above-mentioned strikes) | | |
| E - Day | Current month contracts | | | ATM Strike as per LES criteria,  ITM 2, ITM 4,  OTM 2, OTM 4  (DPMM1 needs to qualify in minimum 8 strikes out of the above-mentioned strikes) | | |
| Near Month Contracts | | | ATM Strike as per LES criteria,  ITM 2, ITM 4,  OTM 2, OTM 4, OTM 6, OTM 8, OTM 10, OTM 12  (DPMM1 needs to qualify in minimum 16 strikes out of the above-mentioned strikes) | | |

1. **Quoting obligation for Designated Primary Market Makers (DPMM2)-**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Premium based maximum permissible spread for quoting obligation for Designated Primary Market Maker (DPMM2)** | | | | | | |
| **Bid price range**  **(Rs.)** | | **Level 1** | **Level 2** | | **Number of Lots at level 1** | **Number of Lots at level 2** |
| **Maximum permissible spread between respective level bid ask (In Rs.)** | | |
| 0.05 – 24.95 | | 1 | 2 | | 2 | 1 |
| 25.00-49.95 | | 1.5 | 2.5 | | 2 | 1 |
| 50– 99.95 | | 2 | 3 | | 2 | 1 |
| 100-199.95 | | 4 | 6 | | 2 | 1 |
| 200-299.95 | | 6 | 8 | | 2 | 1 |
| 300-399.95 | | 9 | 13 | | 2 | 1 |
| 400-499.95 | | 12 | 18 | | 2 | 1 |
| 500-699.95 | | 14 | 20 | | 2 | 1 |
| 700-899.95 | | 16 | 22 | | 2 | 1 |
| 900 and above | | 20 | 26 | | 2 | 1 |
| **Eligible strikes for quoting for DPMM2 (Call and Put both)** | | | | | | |
| All market days | Current month contracts | | | ITM 6, ITM 8, ITM 10, ITM 12  OTM 14, OTM 16, OTM 18, OTM 20  (based on the ATM Strike as per LES scheme- Not mandatory to quote in ATM Strike)  (DPMM2 needs to qualify in minimum 14 strikes out of the above-mentioned strikes) | | |
| E - Day | Current month contracts | | | ITM 6, ITM 8  OTM 8, OTM 6  (based on the ATM Strike as per LES scheme- Not mandatory to quote in ATM Strike)  (DPMM2 needs to qualify in minimum 6 strikes out of the above-mentioned strikes) | | |
| Near Month Contracts | | | ITM 6, ITM 8, ITM 10, ITM 12  OTM 14, OTM 16, OTM 18, OTM 20  (based on the ATM Strike as per LES scheme- Not mandatory to quote in ATM Strike)  (DPMM2 needs to qualify in minimum 14 strikes out of the above-mentioned strikes) | | |

1. **Presence requirement for both type of designated primary market makers (DPMM1 & DPMM2) –**

|  |  |
| --- | --- |
| 09:15 AM – 03:30 PM (Full day) | As per DPMM bid or 80% of the trading time, which ever in higher, in current month contracts on all trading days. |
| As per DPMM bid or 80% of the trading time, which ever in higher, in current & near month contracts on E - day. |
| 09:15 AM – 09:45 AM (Session 1) | All days - Minimum 70% on all days in current month contracts.  E Day – Minimum 70% in Current and near month contracts both. |
| 03:00 PM – 03:30 PM (Session 2) | All days - Minimum 70% on all days in current month contracts.  E Day – Minimum 70% in Current and near month contracts both. |

**Note -**

1. DPMM need to maintain 2-way quotes with above mentioned spread at level 1, 2 & 3 for DPMM1 and level 1 & 2 for DPMM2 respectively.
2. DPMM need to provide minimum number of bid and offer lots at level 1 as per their own bid for level 1 quoting.
3. Number of bid and offer lots at level 2 and level 3 shall be as per above table.
4. Presence would be monitored by exchange on daily and monthly basis and payout shall be based on presence of daily and monthly both parameters.
5. DPMM will be exempted from quoting obligation on bid side in the eligible strikes, where the DPMM offer price is Rs. 2.00 or less.
6. **Turnover based Incentives (in Rs.)–** Turnover based incentive will be paid to participants as per below mentioned rates.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Product** | **Strike** | **Rate of Incentive (On per crore turnover both buy and sell side)** | **Rate of Incentive (On per crore turnover both buy and sell side)** | **Trading incentive Daily Pool** |
| **DPMM** | **Other participants** |
| S&P BSE SENSEX Futures | NA | 600 | NA | 1,20,000 |
| S&P BSE SENSEX Options (Notional) | All ITM Strikes | 40 | 40 | 1,80,000 |
| ATM | 30 | 30 |
| All OTM Strikes | 15 | 15 |

1. **Open interest (OI) based incentives (in Rs.)–** Open interest (OI) based incentive will be paid to participants as per below mentioned rates.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Product** | **Type of trade** | **Rate of Incentive (on per crore Open Interest per day)** | | **Daily OI Incentive Pool** |
| **DPMM** | **Other participants** |
| S&P BSE SENSEX Futures | Both | 250 | 250 | 50,000 |
| S&P BSE SENSEX Options (Notional) | Buy Side | 25 | 25 | 1,50,000 |
| Sell Side | 250 | 250 |

1. Other guidelines for trading and open interest incentives as mentioned below.
2. Turnover and open interest (OI) based incentive shall be given to all market participants on underlying basis for S&P BSE SENSEX Options in current month and near month contracts only.
3. No change in turnover and open interest incentives payout rate for S&P BSE SENSEX Futures (except revised daily turnover and OI based daily incentive pool).
4. Trading and Open interest-based Incentive to be paid on pro rata basis once the daily incentive pool as mentioned above is breached.
5. Incentives shall be calculated on daily basis and shall be paid to eligible members on monthly basis upon submission of valid incentive invoice to the exchange.
6. If DPMM fails to meet quoting obligations in the selected product, then DPMM will still be eligible for turnover and OI incentives.
7. No incentives to be paid to any market participants for Single stock future and single stock options contracts.
8. Other terms and conditions of the earlier relevant LES scheme will remain unchanged.