

BSE Limited
Futures & Options Segment

Date: 30 November 2011

Sub: Consolidated Master Circular on LEIPS-II Programme

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 Futures & Options Segment.

Trading members are aware that the Exchange has launched **second programme in the series- LEIPS-II** on 26th October 2011. The intention of this programme is to foster development of healthy derivatives order book for the SENSEX, its underlying 30 stocks and BANKEX by maximizing participation across the board both from market participants and investors in general. LEIPS-II programme shall remain in force till 25th April 2012 i.e. 6 months.

Trading members are hereby informed that the Exchange has amended certain provisions of LEIPS-II programme. On this background, the Exchange has consolidated various circulars pertaining to LEIPS-II programme issued from time to time to release a master circular document.

This circular is in partial modification/replacement/consolidation of all the previous notices issues on this subject viz. Notice No 20110907-5 dated 7th September, 2011, Notice No 20110928-1 dated 28th September, 2011, Notice No 20110928-2 dated 28th September, 2011, Notice No 20111011-4 dated 11th October, 2011, Notice No 20111012-27 dated 12th October, 2011, Notice No 20111115-24 dated 15th November, 2011 and Notice No 20111121-26 dated 21st November 2011.

The revised LEIPS-II programme shall be effective from 16th December 2011.

For any further clarifications, members are advised to contact their designated Relationship Managers.

For and on behalf of
BSE Limited.

Rajesh Saraf	Sameer Vaze
General Manager – Trading Operations	Deputy Manager – Trading Operations

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1. LEIPS-II PROGRAMME – TERMS AND CONDITIONS

The Exchange has amended certain provisions of LEIPS-II programme. These amendments will be effective from 16th December 2011.

Key amendments are -

- Daily Volume Cap to be increased to Rs. 1800 Cr. (Rs. 600 Cr per time period) in Futures and Rs. 5100 Cr (Rs. 1700 Cr of Notional volume per time period) in Options
- MM quote obligations restricted to current month contracts only including roll over period obligations
- MM payout on daily basis based on fulfillment of their obligations on daily basis instead of monthly
- Only SENSEX Options to be considered in LEIPS-II programme
- Changes in Options payout structure (basis and rates) and spread specifications
- Payout per trade for SENSEX Options to be capped at 40 contracts (from earlier 200 contracts)
- 1st Trade incentive for customers

Please refer to LEIPS II Programme Brochure for details.

2. LEIPS MONITORING SYSTEMS

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.

In addition, the Exchange provides on-line systems to MMs and GMPs to perform various LEIPS related activities.

A brief overview of these systems is provided hereunder.

2.1 LEIPSMM System

This is a web based monitoring system provided to the MMs to monitor their obligation fulfillment on daily basis alongwith their eligible payouts.

The various on-line reports and key details available for the Market Makers are given below -

1. Incentive Volume Cap Report –
 - a. Current Market volume
 - b. LEIPS Volume Information
 - c. Cap Breach timings

2. Daily Presence & Payout Report –
 - a. Daily presence
 - b. Daily Payout
 - c. Member MTD presence(Presence for MM incentive, MTD Report)
 - d. Accumulated daily payout at GMP rate(MTD Report)

3. Market Maker Payout Report –
 - a. Cumulative Presence (Till Date)
 - b. GMP payout received (or accrued for the same day)
 - c. Accrued Additional MM Payout (in case of successful obligation fulfillment)

4. OI Incentive Report –
 - a. Daily OI as in End of day (Futures/ Options)
 - b. Monthly Average OI value(Futures/ Options / Cumulative)
 - c. OI Cash Incentive (accrued till date)

5. LEIPS Eligible Trade File Download –
 - a. Facility to download LEIPS eligible trades which were considered for payout and volume calculation in a file

6. Market Making Info Page –
 - a. Market Making contracts for the day
 - b. Important incentive parameters (payout rates, volume cap, etc.)

Accessing LEIPS MM System -

URL –

- On Internet: <https://leipsmm.bseindia.com>
- On BSE Intranet using leased lines, VSATs, POP, MPLS, LAN, etc:
<http://10.1.101.101/stocks/jsp/LEIPS/index.html>

Login User ID -

The MM member's Clg. No. (Member ID) allotted by the Exchange is the user ID for login.

Password reset –

Passwords will be sent by email to the MM members on their email id. If at anytime, password has to be reset, MM members may call BSE Helpdesk on +91 22 6136 3100 or send email on bsehelp@bseindia.com.

Support -

For any assistance, please contact BSE helpdesk at the number/ email provided above.

Alternately, MM member may contact the Exchange on the following numbers for any query related to the functioning of LEIPS MM system +91 22 2272 8197/ 8374

2.2 LEIPS BEFS

Additionally, the Exchange provides an on-line system to view reports on incentives as well as for on-line submission of service tax invoices for claiming service tax refunds.

On-line submission of Service Tax Invoices -

Details of the facility are provided in next section (Incentive Payout Process)

Reports –

1. Monthly Report –
 - a. Day wise incentive earned and volume details
 - b. Daily OI as in End of day (Futures/ Options)
2. Invoice Upload report- status report of submitted invoice(s).

Accessing LEIPS BEFS System –

URL – <https://befs.bseindia.com> (under menu section 'LEIPS')

Login User ID –

The LEIPS member can use existing login credentials of BFES system to access LEIPS related functions.

3. INCENTIVE PAYOUT PROCESS

Registered all LEIPS participants i.e. both Market Makers (MM) and General Market Participants (GMP) herein referred to as LEIPS Members for brevity shall be incentivized by payment of cash under following categories –

1. Volume based incentive payout: Payable to all LEIPS members
 - At GMP rates – daily basis
 - Additional market maker rates based on fulfillment of their quoting obligations.
 - On monthly basis – At present
 - On daily basis – With effect from 16th December 2011
2. Open interest based incentive payout (payable on End of Month basis)

In respect of incentives mentioned in point 1 and 2 above, LEIPS members are hereby requested to note that the following process shall be followed for disbursing LEIPS incentive payouts -

1. The Exchange shall compute the payout on daily basis based on the trading activity of the registered LEIPS members based on applicable rates.
2. Incentive payout shall be credited to the existing designated Equity (Cash) Market Settlement a/c in the designated clearing banks of eligible LEIPS members using the existing bank interface.
3. A LEIPS member who is operating in capacity of Limited Trading Member (LTM) shall be required to open designated a/c for the purpose of receiving the incentives in the designated clearing bank.
4. The daily payout shall be credited in LEIPS member accounts earliest by same day evening and latest by noon of next working day, unless specified otherwise by the Exchange from time to time.
5. The incentive payments shall be made net of TDS (after deducting the TDS applicable from time to time) and service tax (as applicable from time to time). The service tax would be reimbursed to the LEIP member on the fulfillment of the process prescribed in points no.7 to 10
6. The incentive payment shall be rounded off to the nearest rupee.
7. LEIPS members may claim service tax refund on the incentives earned by them under the category of 'Business Auxiliary Service'. Members are required to add 'Business Auxiliary Service' with the service tax department to include 'Business Auxiliary Service' as service.
8. In order to claim the service tax refund, LEIPS members would be required to submit service tax invoices on a fortnightly basis providing mandatory information detailed below.
9. The service tax invoice must include following details:

- Invoice should be prepared on official letterhead of the company
- Service Tax Invoice should be addressed in the name of 'BSE Ltd'
- Date of the Invoice
- Service Tax Invoice No.
- Service Tax Registration Number of LEIPS member
- Category of Service/description of service – 'Business Auxiliary Services'
- Period of service for which service tax is claimed (as appearing in BEFS system)
- Break up of service tax claimed into following components
 - Incentive Earned for the service tax period
 - Service Tax,
 - Education Cess,
 - Secondary Higher Education Cess,
 - Total Service Tax Amount Claimed
- Signature of Authorised Signatory

10. The Exchange provides an on-line facility to members through the BEFS system (weblink - <https://bef.s.bseindia.com>) under menu section 'LEIPS' to submit service tax invoices in electronic form. The members are required to submit service tax invoices in PDF format only, duly signed by their authorized representative.

11. The following details are required to be specified at the time of uploading the invoice -

- Period for which invoice is submitted (Start Date and End Date)
- Invoice Number
- Service Tax Amount

For operational convenience, member has an option to save the details, as appropriate before finally submitting them to the Exchange.

12. Upon successful submission of the invoice, the member shall receive an on-line confirmation.

13. Exchange shall verify details of invoices submitted by LEIPS members such as period of invoice, amount, service tax registration number, etc. and take action, as appropriate. The relevant LEIPS member shall receive an on-line intimation of status of verification performed by the Exchange.

14. On successful verification, the Exchange shall initiate the refund of service tax claim in the designated a/c of the LEIPS member.

15. The service tax refund shall be net of TDS (applicable from time to time).

16. The LEIPS member shall be able to view status of all his requests on-line through the BEFS system.

17. To ensure better compliance with service tax regulations, members are requested to submit their service tax invoices within 7 calendar days after the period of the invoice to enable the Exchange to credit eligible service tax refunds.

18. If a LEIPS member is eligible for more than one payout on a given day, each applicable payout amount shall be separately credited to its designated his account.
19. The Exchange provides an on-line facility to members through the BEFS system (weblink - <https://bef.s.bseindia.com>) under the menu section 'LEIPS' to view details of incentives paid by the Exchange under various categories.
20. The LEIPS member can use existing login credentials of BFES system to access LEIPS related functions.
21. The Exchange has defined the following calendar for computing and disbursing the payouts applicable on end of month basis–

Month	Calendar Period	Payment Date (latest by)	Applicable Monthly Payout(s)
October 2011	26 – 31 October	09 November, 2011	<ul style="list-style-type: none"> • Additional MM payout • OI Payout
November 2011	01– 30 November	09 December, 2011	<ul style="list-style-type: none"> • Additional MM payout • OI Payout
December 2011	01– 15 December	26 December, 2011	<ul style="list-style-type: none"> • Additional MM payout for period of (cumulative basis)*
	01- 31 December	10 January, 2012	<ul style="list-style-type: none"> • OI Payout
January 2012	02– 31 January	09 February, 2012	<ul style="list-style-type: none"> • OI Payout
February 2012	01– 29 February	09 March, 2012	
March 2012	01– 30 March	10 April 2012	
April 2012	02– 25 April	09 May 2012	

* With effect from 16th December 2011, Additional MM payout shall be disbursed to eligible MMs on daily basis.

A special cell has been constituted in the Exchange for managing LEIPS payouts and related matters. For any queries related to incentive payment, members are requested to contact the concerned officials of the cell at the numbers given below or send an email on leip.incentive@bseindia.com

*****End of Document*****