

LEIPS-V

(Effective from 27th July 2012)

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.

With effect from July 27, 2012, the Exchange is launching a new programme—LEIPS V. The programme focuses on single stock futures & options contract on 8 underlying securities viz

- **State Bank of India**
- **Reliance Industries Ltd**
- **ICICI Bank Ltd**
- **TATA Steel Ltd**
- **TATA Motors Ltd**
- **Infosys Technologies Ltd**
- **Larsen & Toubro Ltd**
- **Axis Bank Ltd**

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 and Options Segments of the Exchange who have already signed up in LEIPS-III and LEIPS-IV programme as GMPs shall be treated as GMPs in LEIPS-V programme as well. Trading members who wish to opt out of the LEIPS-V programme as GMPs shall be required to intimate the Exchange of the same.

Registered Market Makers of LEIPS- III & LEIPS- IV programme shall have to register themselves as a Market Maker in LEIPS- V programme & expressly indicate their interest to do Market Making in the underlying securities eligible under LEIPS-V programme.

Other active trading members of Futures and Options Segments 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 & options contracts on 8 underlying securities. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives paid on pro rata basis to MMs and GMPs
2. Quote based incentive for MMs in Stock Options
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs in Stock Options.
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-V programme shall remain in force till January 25, 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-V) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE F&O segment. **LEIPS-V focuses on Single Stock Futures & Options in 8 underlying (Refer to Table 1).** 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																																						
Clause 1 — Incentives / Benefits	Trading Volume[†] Based Cash Incentive Pro - rata basis	Stock Futures (Rs. /Cr.)				Stock Futures (Rs. /Cr.)																																						
		Passive*		Active*		Passive*		Active*																																				
		Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell																																			
		1,800	1,800	1,100	1,100	1,100	1,100	1,100	1,100																																			
	1st Trade Incentive for customers	<ul style="list-style-type: none"> Rs. 100 /- to be paid only one time for each registered customer trading for the first time in BSE Futures and Options segment under all LEIPS schemes. Payment to be made to the member based on number of his distinct customers (based on registered UCCs) who have traded during the calendar month period. Up to first 5000 successfully registered customers by member in UCC system to be eligible to receive incentive. 																																										
Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)																																									
	0		50																																									
	Quote	<p>Provide 2-way continuous quote during regular trading hours for 75% of trading time in market making Stock futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis).</p> <p>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)</p>						No Obligations																																				
	Spread, Size Specification	<p>Futures – (Current Month Contracts)</p> <ul style="list-style-type: none"> Maintain spread obligation in % of bid price as per the below table 2 Minimum no. of contracts should not be less than 2 <p>Table 2: Spread Obligations for MM</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Sr. No.</th> <th>Scrip Name</th> <th>% of Bid Price</th> <th>Min. no of contracts</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>State Bank Of India</td> <td>0.50%</td> <td>2</td> </tr> <tr> <td>2</td> <td>Reliance Industries Ltd.</td> <td>0.50%</td> <td>2</td> </tr> <tr> <td>3</td> <td>ICICI bank Ltd.</td> <td>0.50%</td> <td>2</td> </tr> <tr> <td>4</td> <td>TATA Steel Ltd.</td> <td>0.75%</td> <td>2</td> </tr> <tr> <td>5</td> <td>TATA Motors Ltd.</td> <td>0.75%</td> <td>2</td> </tr> <tr> <td>6</td> <td>Infosys Teechnologies Ltd.</td> <td>0.50%</td> <td>2</td> </tr> <tr> <td>7</td> <td>Larsen & Toubro Ltd.</td> <td>0.50%</td> <td>2</td> </tr> <tr> <td>8</td> <td>AXIS Bank Ltd.</td> <td>0.50%</td> <td>2</td> </tr> </tbody> </table>							Sr. No.	Scrip Name	% of Bid Price	Min. no of contracts	1	State Bank Of India	0.50%	2	2	Reliance Industries Ltd.	0.50%	2	3	ICICI bank Ltd.	0.50%	2	4	TATA Steel Ltd.	0.75%	2	5	TATA Motors Ltd.	0.75%	2	6	Infosys Teechnologies Ltd.	0.50%	2	7	Larsen & Toubro Ltd.	0.50%	2	8	AXIS Bank Ltd.	0.50%	2
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	Roll Period (5-days prior to expiry)	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. (Refer to Table 2)																																										
	After the daily volume cap is breached	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																																				

[†] 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

	Market Makers	General Market Participants																		
Clause 3	<ul style="list-style-type: none"> Members have to register with the exchange to participate as a MM Net worth of Rs. 1 Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	Members have to register with the exchange to be eligible for the incentives																		
Clause 4	<ul style="list-style-type: none"> Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day. In case of non fulfillment of obligations for a specific day, MM's incentive payment shall be at GMP rate. Exchange provides online system (https://leipsmm.bseindia.com) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity. 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. 	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	<p>Daily Caps —</p> <ul style="list-style-type: none"> Cash volume incentives paid upto a daily volume cap of Rs. 20 cr. per underlying in Stock futures contracts on eligible securities/underlyings under this scheme. (Refer to Table 1) Incentives to be paid on pro-rate basis on volume contributed by each member in futures contracts on a specific stock, once the daily cap of Rs 20 Cr is reached on a that day. Volume cap of each underlying is throughout the trading time and not distributed per minute Payout per trade will be capped at maximum of 10 contracts. Illustration: - Exchange turnover in underlying A for the trading day = Rs. 35 Cr and Underlying B = 15 Cr Daily volume cap per underlying = Rs. 20 Cr Member Turnover = Rs. 5 Cr in Underlying A and Rs.10 Cr in underlying B Incentive payout at GMP rates = Underlying A = $(20/35 * 5) * 1100 = \text{Rs. } 3143/-$ Underlying B = $10 * 1100 = \text{Rs. } 11000/-$ 																			
Clause 6	<ul style="list-style-type: none"> Daily basis for GMPs- at rate of Rs. 1,100 / Cr. 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 *) All cash payouts will be paid after TDS deductions. TDS certificate will be issued on quarterly basis Service Tax related to incentive payouts will be paid to the members upon submission of invoice <p>(* Half of the daily volume cap for each underlying shall be considered for MM incentive pro-rata base calculation)</p>																			
Clause 7	<ul style="list-style-type: none"> MMs can apply for market making in stock futures of following underlyings <p style="text-align: center;">Table 1</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sr. No</th> <th>Name of the underlying Security</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>State Bank Of India</td> </tr> <tr> <td>2</td> <td>Reliance Industries Ltd.</td> </tr> <tr> <td>3</td> <td>ICICI Bank Ltd.</td> </tr> <tr> <td>4</td> <td>TATA Steel Ltd.</td> </tr> <tr> <td>5</td> <td>TATA Motors Ltd.</td> </tr> <tr> <td>6</td> <td>Infosys Technologies Ltd.</td> </tr> <tr> <td>7</td> <td>Larsen & Toubro Ltd.</td> </tr> <tr> <td>8</td> <td>Axis Bank Ltd.</td> </tr> </tbody> </table>	Sr. No	Name of the underlying Security	1	State Bank Of India	2	Reliance Industries Ltd.	3	ICICI Bank Ltd.	4	TATA Steel Ltd.	5	TATA Motors Ltd.	6	Infosys Technologies Ltd.	7	Larsen & Toubro Ltd.	8	Axis Bank Ltd.	As per Table 1
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Clause 8	<ul style="list-style-type: none"> Scheme Launch—27th July 2012 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. 																			

LEIPS-V – Terms and Conditions Part B - Stock Options (with effect from 27th July)

Liquidity Enhancement Incentive Programmes (LEIPS-V) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE F&O segment. **LEIPS-V focuses on Single Stock Futures and Options in 8 underlying (Refer to Table 3).** The programme incentivizes both MMs and GMPs by payment of cash for their participation in the programme as per prescribed terms and conditions.

		Market Makers			General Market Participants	
Clause 1 – Incentives / Benefits	Trading Volume Based Cash	Market Maker (MM) shall be paid incentives on notional turnover at moneyness strikewise rates as per Table 4 overleaf			General Market Participant shall be paid incentives on notional turnover at moneyness strikewise rates as per Table 4 overleaf	
	Quoting Based Cash Incentive	<ul style="list-style-type: none"> Based on fulfillment of Level 2 Quote Obligations, qualifying MMs shall be paid incentives as per the Annexure 1 over leaf. Based on fulfillment of Level 3 Quote Obligations, qualifying MMs shall be paid incentives as per the Annexure 2 overleaf. Level 2 incentives will be paid until payout reaches a pool of Rs. 1 Lakh for each underlying security. 			Not Applicable	
	Open Interest* Cash Incentive	Based on daily Exchange OI for the specific stock option. *Only short options positions shall be eligible for OI incentive. <ul style="list-style-type: none"> Till Exchange OI for the specific stock options on any given trading day is less than or equal to Rs. 250 Cr., the incentive for that day shall be paid at a rate of Rs.100 per Cr of Member OI* for the day. If Exchange OI for the specific stock options on any given trading day crosses Rs.250 Cr, then incentive for that day shall be paid on proportionate basis from a daily pool of Rs.25,000. 				
	1st Trade Incentive for customers	<ul style="list-style-type: none"> Rs. 100 /- to be paid only one time for each registered customer trading for the first time in BSE F&O segment under all LEIPS schemes Payment to be made to the member based on number of his distinct customers (based on registered UOCs) who have traded during the calendar month period. Up to first 5000 successfully registered customers by member in UOC system to be eligible to receive incentive. 				
	Lower Transaction Fee	Options (Rs. / Cr. Premium)				
	Passive		Active			
	0		50			
Clause 2 – Obligations	Quote Obligation	Level 1	Level 2	Level 3		
		Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 4 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf		
	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. (** Indicative Exceptions– Market halt in a contract or underlying shall not be counted as trading hours)					
	Level 1	Level 2	Level 3			
Spread & Size	2-way quote in any one or more market making contract series# as per quote obligations specified in Table 4	2 way quote in any one or more market making contract series# as per quote obligations specified in Annexure 1	3 layered, 2 way quotes in all 14 market making contract series# as per quote obligations specified in Annexure 2			
Roll Period (5 days prior to expiry)	Quote obligations for the current month contracts shall also be applicable to the next month contracts.	No Roll period obligation	No Roll period obligation			
After the daily volume cap is breached	Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 4 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf even after the volume incentive cap is breached			
	The only exceptions** shall be due to technical reasons and fast market conditions. (** Indicative Exceptions– Market halt in a contract or underlying shall not be counted as trading hours)					

* Incentives are payable only for current, near and far month expiration on monthly options contracts on eligible underlying

Open Interest – Notional volume of options contracts that are not closed or delivered at the end of a particular day.

† Market making contract series shall be published by the exchange on a daily basis

	Market Makers	General Market Participants																
Clause 3	<ul style="list-style-type: none"> Members have to register with the exchange to participate as a MM Networth of Rs. 1Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	Members have to register with the exchange to be eligible for the incentives																
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Clause 5	<p>Daily Caps – Cash volume incentives shall be paid upto a maximum of Rs. 622.50 Cr. in each individual stock option (Notional volume) as follows –</p> <table border="1"> <thead> <tr> <th>Total No of Time Periods</th> <th>Duration of Each Time Period</th> <th>Time Period wise Cap for Options Trading (Notional volume)</th> </tr> </thead> <tbody> <tr> <td>First 10 minutes</td> <td>1 minute</td> <td>Rs.4.50 Cr</td> </tr> <tr> <td>Last 10 Minutes</td> <td>1 minute</td> <td>Rs.4.50 Cr</td> </tr> <tr> <td>355 Minutes</td> <td>1 minute</td> <td>Rs.1.50 Cr</td> </tr> <tr> <td colspan="2">Daily Volume Incentive Cap</td> <td>Rs. 622.50 Crore</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Incentive to be paid on pro rata basis on volume contributed by each member in particular time period Per minute passive volume cap for Additional MM incentive shall be half of the time period wise cap (listed above). Payout per trade will be capped at maximum of 40 contracts. 		Total No of Time Periods	Duration of Each Time Period	Time Period wise Cap for Options Trading (Notional volume)	First 10 minutes	1 minute	Rs.4.50 Cr	Last 10 Minutes	1 minute	Rs.4.50 Cr	355 Minutes	1 minute	Rs.1.50 Cr	Daily Volume Incentive Cap		Rs. 622.50 Crore	
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Clause 6	<table border="1"> <thead> <tr> <th>Type of Incentive</th> <th>Applicable To</th> <th>Payout Structure</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Trading Volume based Cash Incentive</td> <td>MM, GMP</td> <td>Pro-rata basis on options notional volume at rate as per Table 4 overleaf</td> </tr> <tr> <td>MMs fulfilling Level 1 Quote Obligations</td> <td>Additional volume based incentive for fulfilling Level 1 Quote Obligations on passive sell volume (notional) in options at rate as per Table 4</td> </tr> <tr> <td rowspan="2">Quoting based Cash Incentive</td> <td>MMs fulfilling Level 2 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 1 Lakh per day per underlying security. (refer to Annexure 1 overleaf)</td> </tr> <tr> <td>MMs fulfilling Level 3 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 50,000 per day per underlying security (refer to Annexure 2 overleaf)</td> </tr> <tr> <td>OI based Cash Incentive</td> <td>MM, GMP</td> <td>Based on Daily Average OI</td> </tr> </tbody> </table> <ul style="list-style-type: none"> All above payouts shall be computed and paid on daily basis. All cash payouts shall be paid after TDS deductions. TDS certificate shall be issued on quarterly basis. Service Tax related to incentive payouts shall be paid to the members upon submission of invoice. 		Type of Incentive	Applicable To	Payout Structure	Trading Volume based Cash Incentive	MM, GMP	Pro-rata basis on options notional volume at rate as per Table 4 overleaf	MMs fulfilling Level 1 Quote Obligations	Additional volume based incentive for fulfilling Level 1 Quote Obligations on passive sell volume (notional) in options at rate as per Table 4	Quoting based Cash Incentive	MMs fulfilling Level 2 Quote Obligations	Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 1 Lakh per day per underlying security. (refer to Annexure 1 overleaf)	MMs fulfilling Level 3 Quote Obligations	Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 50,000 per day per underlying security (refer to Annexure 2 overleaf)	OI based Cash Incentive	MM, GMP	Based on Daily Average OI
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Clause 8	<ul style="list-style-type: none"> Stock Options contracts as per Table 3 	Stock Options contracts as per Table 3																
Clause 8	<ul style="list-style-type: none"> Launch – 27th July, 2012 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. 																	

Table -3 -Underlying Securities	
Sr. No	Name of the underlying Stock
1	State Bank Of India
2	Reliance Industries Ltd.
3	ICICI Bank Ltd.
4	TATA Steel Ltd.
5	TATA Motors Ltd.
6	Infosys Technologies Ltd.
7	Larsen & Toubro Ltd.
8	Axis Bank Ltd.

Table 4 –Trading Volume Based Cash Incentive									
Moneyiness* (Call & Put)	Market Makers Incentive Rate (Rs. per Cr.)				General Market Participants Incentive Rate (Rs. per Cr.)				
	Passive*		Active*		Passive*		Active*		
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell	
All remaining ITMs	NA	NA	NA	NA	100	100	100	100	
ITM 2	100	200	100	100	100	100	100	100	
ITM 1	100	200	100	100	100	100	100	100	
ATM	100	200	100	100	100	100	100	100	
OTM 1	90	180	90	90	90	90	90	90	
OTM 2	80	160	80	80	80	80	80	80	
OTM 3	70	140	70	70	70	70	70	70	
OTM 4	50	100	50	50	50	50	50	50	
OTM 5	NA	NA	NA	NA	40	40	40	40	
OTM 6	NA	NA	NA	NA	30	30	30	30	
OTM 7	NA	NA	NA	NA	20	20	20	20	
OTM 8	NA	NA	NA	NA	10	10	10	10	
All remaining OTMs	NA	NA	NA	NA	0	0	0	0	

Level 1 Quote Obligations	
Spread Specification for Stock Options	
Bid Prices of Premium (Rs.)	Maximum Spread (Rs.) (Current Month Contract)
0-10	0.50
10-50	1.00
50-100	2.00
100-250	4.00
250-500	6.00
500-750	9.00
>750	12.00
Minimum quantity of contracts	2

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

* ITM, ATM and OTM strike prices on which Level 1 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

Annexure 1: Level 2 –Quote Based Obligation and Incentive per underlying stock

- MMs shall have the flexibility to choose a spread – size specification from those listed in Table 6 below:

Table 6 - Level 2 –Quote Based Incentive: Spread & Size Specification

Level 2: Spread Size Specification			
	Option 1	Option 2	Option 3
Maximum Spread^v (as a % of Bid Price)	Higher of 2 % of bid price or Rs. 0.50	Higher of 3 % of bid price or Rs. 0.50	Higher of 4 % of bid price or Rs. 0.50
Minimum Lots	5	10	15

^vIn any circumstances the maximum spread cannot be greater than Rs. 5.00

- MMs can interchangeably use the above spread –size specifications on an intra-day basis. i.e. MMs have the flexibility to choose different spread –size specifications at different points in time.

- Illustration:

Case 1: MM 'A' maintained 2 ways quote in the following manner (no time overlap amongst the options):

- ◆ At a spread of 2% of bid price with 5 lots between 9.15 am. to 12.00 pm
- ◆ At a spread of 3% of bid price with 10 lots between 12.00 pm. to 1.00 pm.
- ◆ At a spread of 4% of bid price with 15 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will from 9.15 am to 3.00 pm.

Case 2: MM 'B' maintained 2 ways quote in the following manner (time overlap amongst the options):

- ◆ At a spread of 2% of bid price with 5 lots between 9.15 am. to 12.00 pm.
- ◆ At a spread of 3% of bid price with 10 lots between 10.00 am. to 12.00 pm.
- ◆ At a spread of 4% of bid price with 15 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will from 9.15 am. to 12.00 pm. and then from 1.00 pm. to 3.00 pm.

- Incentive payable to MMs upon fulfillment of Level 2 –Quote Based Obligation shall be as per table 7 below:

Table 7 - Level 2 –Quote Based Incentives for each underlying stock

Level 2 Quote Obligation Incentive					
	Moneyness [†] (Call and Put)	Quote Based Cash Incentive (Level 2) Rate per MM for CALL (Rs.)	Quote Based Cash Incentive (Level 2) Rate per MM for PUT (Rs.)	Additional Incentive if Quoting in pairs	Quote Based Cash Incentive (Level 2) Pool [*] across all eligible MMs (Rs.)
Table 5	ITM 2	10,000	10,000	2,500	22,500
	ITM 1	9,000	9,000	2,000	20,000
	ATM	9,000	9,000	2,000	20,000
	OTM 1	6,750	6,750	1,500	15,000
	OTM 2	4,500	4,500	1,000	10,000
	OTM 3	3,375	3,375	750	7,500
	OTM 4	2,250	2,250	500	5,000
	Total	44,875	44,875	10,250	1,00,000

^{} In case the total applicable Level 2 Quote Based Incentives for a specific moneyness of an underlying security is greater than the respective pool, then the incentive shall be apportioned from the moneyness-wise pool for that underlying security.*

[†]ITM, ATM and OTM strike prices on which Level 2 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

Annexure 2: Level 3–Quote Based Obligation and Incentive

- Market maker shall be paid Rs.50,000 daily incentive in addition to level 2 quote incentive if he maintains 3 layered 2–way quotes in all the 14 strikes as published by the Exchange on the Stock Options.
- MMs shall have the flexibility to choose a 3 layered quote spread – size specification from the options listed in table 5 below:

Table 8 - Spread & Size Specification

Level 3: Spread–Size Specification			
	Option 1	Option 2	Option 3
Layer 1	Higher of 2% of Bid Price [¶] or Rs. 0.50 and min. lot of 5 contracts	Higher of 3% of Bid Price [¶] or Rs. 0.50 and min. lot of 10 contracts	Higher of 4% of Bid Price [¶] or Rs. 0.50 and min. lot of 15 contracts
Layer 2	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 5 contracts	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 10 contracts	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 15 contracts
Layer 3	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 5 contracts	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 10 contracts	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 15 contracts

[¶]In any circumstances the maximum spread cannot be greater than 5

- Illustration:**

- ◆ Case 1: ATM Strike with layer 1 at a spread of 2% of bid price & default contract size of 5

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	5	100.00	102.00	5
Layer 2	5	99.50	102.50	5
Layer 3	5	99.50	102.50	5

- ◆ Case 2: ATM Strike with layer 1 at a spread of 3% of bid price & default contract size of 10

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	10	100.00	103.00	10
Layer 2	10	99.50	103.50	10
Layer 3	10	99.50	103.50	10

- ◆ Case 3: ATM Strike with layer 1 at a spread of 4% of bid price & default contract size of 15

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	15	100.00	104.00	15
Layer 2	15	99.50	104.50	15
Layer 3	15	99.00	104.50	15

- ◆ Case 4: ATM Strike with layer 1 at a spread of 2% of bid price & default contract size of 5

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	5	100.00	102.00	5
Layer 2	5	100.00	102.50	5
Layer 3	5	100.00	102.50	5

- Similar to Level 2–Quote Based Obligations, MMs can interchangeably use the any of the above 3–layered spread–size specifications on an intra-day basis. i.e. MMs have the flexibility to choose different 3–layered spread–size specifications at different points in time.
- Note: Per Underlying Quote Based Incentives for Level 2 and Level 3 shall be distributed from the existing daily pool of Rs. 1 Lakhs and Rs.50,000/- respectively (refer Table 7 and Annexure 2). i.e if the total of Level 2 incentive per underlying crosses 1 lakh and Level 3 incentive per underlying crosses Rs.50,000, then incentives shall be paid proportionately.**

Registration Form for Market Maker in LEIPS-V

(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-V 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-V – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-V – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-V – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-V 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-V 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	Stock Options
State Bank Of India		
Reliance Industries Ltd.		
ICICI Bank Ltd.		
TATA Steel Limited		
TATA Motors Limited		
INFOSYS Technologies Ltd.		
Larsen & Toubro Ltd.		
Axis Bank Ltd.		

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