

LEIPS-V

(Effective from 1st August 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 August 1, 2012, the Exchange is launching a new programme—LEIPS V. The programme focuses on single stock futures 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 Segment of the Exchange who have already signed up in 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- 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 contracts on 8 underlying securities. The programme offers 2 types of incentives to market participants –

1. Trading volume based daily cash incentives paid on pro rata basis to MMs and GMPs
2. 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 31, 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 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"> <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	Eligibility <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. Please refer to ^^ on the cover page for more information.																				
Clause 4	Penalty—Monitoring Obligations <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	Incentive Ceilings <p>Daily Caps —</p> <ul style="list-style-type: none"> Cash volume incentives paid upto a maximum volume of Rs. 12.45 cr. per underlying security on eligible securities/underlyings under this scheme. Total Volume incentive cap divided into 375 time period caps of 1 minute each. Trading volume cap for first 10 and last 10 minutes - Rs. 0.09 cr per minute per underlying security Trading volume cap for the rest trading period (355 minutes) - Rs. 0.03 cr per minute per underlying security Payout per trade is capped to maximum 10 contracts per trade. Incentive to be paid on pro-rata basis on volume contributed by each member in particular time period cap per underlying security. <p>Illustration: - Exchange turnover in interim 1 minute time interval (T) in underlying A = Rs. 0.05 Cr and underlying B = 0.02 Cr</p> <p style="margin-left: 40px;">Daily volume cap per underlying in (T) = Rs. 0.03 Cr Member Turnover in (T) = Rs. 0.04 Cr in Underlying A and Rs.0.01 Cr in underlying B Incentive payout in (T) at GMP rates = Underlying A = $(0.03/0.05 * 0.04) * 1100 = \text{Rs.}26.40/-$ Underlying B = $0.01 * 1100 = \text{Rs.}11/-$</p>																					
Clause 6	Payment <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	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 10%;">Sr. No</th> <th style="width: 80%;">Name of the Underlying Security</th> </tr> </thead> <tbody> <tr> <td rowspan="8" style="writing-mode: vertical-rl; transform: rotate(180deg); text-align: center;">TABLE 1</td> <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	TABLE 1	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	Time Lines <ul style="list-style-type: none"> Scheme Launch—1st August 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. 																					

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
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