

LEIPS-IV

(Effective from 29th June 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.

Fourth Programme in the series LEIPS IV was launched on May 2, 2012. The programme focuses on SENSEX Futures contracts.

Active trading members of Futures & Options segment of the Exchange can follow a simple process to register themselves for this programme as a Market Makers (MMs) or as a General market Participant (GMP).

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in SENSEX Futures contracts. 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
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
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.

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.

The Exchange has been regularly amending the terms and conditions of its LEIPS Programmes based on the overall progress of the programme, market feed back and policy changes.

With effect from June 29, 2012, the Exchange proposes following key amendments in terms and conditions of LEIPS -IV programme-

- Discontinuation of quote based incentive applicable to Market Makers (based on 3,4 and 5 index points) & reintroduction of trading volume based cash incentives to eligible market makers at rate of Rs.1800/- per crore on their passive volume.
- MMs required to maintain quotes at spread – size ratio of 1 (index points to contracts) for 85% of trading time with maximum spread allowed of 5 Index points (to be eligible for higher incentive rate of Rs. 1800/- per crore on passive volume).
- Daily volume cap of Rs.830 crores with a per minute cap of Rs.6 crores for first 10 and the last 10 minutes and 2 crores for the rest of the trading day.

For any further clarifications, please contact your designated Relationship Managers.

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Liquidity Enhancement Incentive Programme (LEIPS-IV) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE F&O segment. **LEIPS-IV focuses on SENSEX Futures.** 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	Futures (Rs. /Cr.)				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
Clause 2 – Obligations	Open Interest[#] Cash Incentive	Based on total daily OI of SENSEX futures across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> Till abovementioned total OI is less than or equal to Rs. 1600 Cr on any given trading day , Rs. 250 per Cr. of member OI If above mentined total OI exceeds Rs. 1600 Cr on any given trading day, then for that day , incentive shall be paid from Pool of Rs. 4 Lakhs per day. 							
	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. 							
Clause 2 – Obligations	Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)					
		0		50					
Clause 2 – Obligations	Quote	Provide 2-way continuous quote during regular trading hours for 85% of trading time in market making futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). 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)				No Obligations			
	Spread, Size Specification	Futures – (Current Month Contracts)							
		<ul style="list-style-type: none"> Maintain spread-size ratio of the quote to maximum 1 The maximum spread cannot exceed 5 index points Examples—Permissible Combinations 							
		Spread (Index Point)	Contract Size (Market Lot)	Ratio (Max = 1)					
Clause 2 – Obligations		1	1	1					
		2	2	1					
	3	3	1						
	4	4	1						
	5	5	1						
	5	10	0.5						
	4	5	0.8						
Clause 2 – Obligations	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.							
	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

Open Interest— Futures contracts that are not closed or delivered at the end of a particular day.

	Market Makers	General Market Participants
Clause 3	<p>Eligibility</p> <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 	<p>Members have to register with the exchange to be eligible for the incentives</p>
Clause 4	<p>Penalty— Monitoring Obligations</p> <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. 	<p>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</p>
Clause 5	<p>Daily Caps –</p> <ul style="list-style-type: none"> Cash volume incentives paid upto a maximum volume of Rs. 830 cr. in SENSEX futures contracts on eligible securities/underlyings under this scheme. Total Volume incentive cap divided into 375 time period caps of 1 minute each. For first 10 and last 10 minutes of trading time volume cap shall be of Rs.6 crore per minute . For the rest of the trading period of 355 minutes volume cap shall be of Rs.2 crore per minute. Incentive to be paid on pro-rata basis on volume contributed by each member in particular time period cap Illustration: - Exchange turnover in first 1 minute period = Rs. 15 Cr Per minute time period cap in first 10 minute = Rs. 6Cr Member Turnover = Rs. 2 Cr Incentive payout at GMP rates = $(6 * 2/15) * 1100 = Rs.880$ 	
Clause 6	<p>Payment</p> <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 each per minute cap volume shall be considered for MM incentive pro-rata base calculation)</p>	
Clause 7	<p>Eligible Securities / Underlying</p> <ul style="list-style-type: none"> MMs shall apply for market making in Sensex Futures 	<p>SENSEX</p>
Clause 8	<p>Time Lines</p> <ul style="list-style-type: none"> Amendments effective date— 29th June 2012 Scheme Launch—2nd May 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-IV

(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-IV 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-IV – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-IV – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-IV – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-IV 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-IV 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	Futures
SENSEX	

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