

LEIPS-Stock Futures

(Effective from June 08, 2015)

SEBI issued Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014 regarding revised guidelines for Liquidity Enhancement Scheme in the Equity Cash & Equity Derivatives Segment. On this background the Exchange launched **LEIPS on Single Stock Futures contracts on the 30 underlying stocks which are part of S&P BSE SENSEX** with the goal of creating lasting, self-sustaining liquidity in BSE's Equity Derivatives Segment.

The programme incentivises Market Makers (MMs) as per prescribed terms and conditions.

Active trading members of Equity Derivatives segment of the Exchange can follow a simple process to register themselves for this programme as Market Makers (MMs).

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in Single Stock Futures contracts of designated stocks which are a part of S&P BSE SENSEX.. The programme offers following types of incentives to market makers –

1. Quote based incentives for MMs
2. Trading Volume based cash incentive on passive trades to MMs and GMPs
3. OI based incentive to MMs and GMPs
4. Lower transaction charges

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.

With effect from June 08, 2015 ,the Exchange proposes following key amendments in terms and conditions of **LEIPS–Stock Futures** Programme-

1. Revision in Daily Quote based incentives
2. Revision in Roll Over Quoting incentive
3. Revision of spread size specification for quote based incentives
4. Revision in Daily incentive volume cap
5. Revision in OI based incentive

The programme incentivizes both General Market Makers (GMP) and Market Makers (MMs) as per prescribed terms and conditions.

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

The programme shall remain in force as per tenure mentioned in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014.

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

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The programme focuses on Single Stock Futures contracts on 20 underlying stocks which are part of S&P BSE SENSEX. The programme incentivizes MMs 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 Incentive Pro-rata basis	Futures (Rs. /Cr.)				Futures (Rs. /Cr.)			
		Passive*		Active*		Passive*		Active*	
		Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
		500	500	0	0	500	500	0	0
	Open Interest†# Cash Incentive	Based on total daily OI of ^20 Stock futures across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> Till above mentioned total OI is less than or equal to Rs. 833.33 Cr on any given trading day, Rs. 60 per Cr. of member OI If above mentioned total OI exceeds Rs. 833.33 Cr on any given trading day, then for that day, incentive shall be paid from pool of Rs. 50,000 per day. 							
Quote Based Cash Incentive	Upon fulfillment of Quote Obligation, qualified MMs shall be paid cash incentives. For more details please refer to Annexure 1.								
Retail Incentive	Retail incentive program only on trading as per Exchange notice no—20130716-21 dated July 16,2013 and notice no – 20140822-39 dated August 22,2014.								
Clause 2 – Obligations	Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)					
		0		50					
	Quote	Provide 2-way continuous quote for 85% of the time on eligible stock futures contracts under this scheme (as published by the Exchange on a daily basis). For more details on quote based incentive, please refer to Annexure 1 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. (**Exception— Market halts in a contract or underlying shall not be counted as trading hours)				No Obligations			
Spread, Size Specification	Refer to Annexure 1.(Table 1)								
Roll Period (Expiry-1 & Expiry Day)	During the roll period, MMs shall be required to maintain quote obligations in roll over contract as per spread –size specification in Annexure 1.(Table –1)								

† OI Incentives are payable for current month and near month incentive eligible contracts.

* 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, except current month futures contracts on their day of expiry.

^ List of 20 stock futures is provided in Annexure 1 table 2

LEIPS Stock Futures—Terms and Conditions

	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 quote incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day. MM's trading volume based incentive payment shall be at same as 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>Incentive Ceilings</p> <p>Daily Caps — Cash volume incentives paid upto a maximum volume of Rs. 100 Cr of daily volume in Stock Futures contract. Incentive to be paid on pro rata basis once the turnover cap is hit.</p> <p>Example: 09:15 AM to 03:30 PM :- Exchange Turnover for the day Rs.800 Crs Member A turnover (passive buy)—Rs.15Cr in current month contract Member A payout —(Rs 15 Cr)*(Rs 100Cr/Rs.800Cr)*Rs.500/=- Rs.937.50</p> <p>A) Payout per trade shall be capped at maximum of 20 lots. Please see Annexure 2 for GMP to GMP incentive cap. B) Trades done in all spread contracts ,near month contracts & far month contracts shall not be considered for incentives. C) Only on E-1 and E day trades done in near month contracts shall be incentivised. These trades will be considered for computation of daily volume cap.</p>	
Clause 6	<ul style="list-style-type: none"> 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. 	
Clause 7	<p>Eligible Securities / Underlying</p> <p>Single Stock Futures contracts on 20 underlying stocks which are part of S&P BSE SENSEX as per Annexure 1 ,Table -2.</p>	Single Stock Futures contracts on 20 underlying stocks which are part of S&P BSE SENSEX as per Annexure 1, Table -2
Clause 8	<p>Time Lines</p> <ol style="list-style-type: none"> Scheme Launch—May 30, 2014 The scheme shall run as per tenure mentioned in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014. 	

Annexure 1: Quote Based Incentive Structure

1. Eligible MM shall be paid incentive from Daily incentive pool of Rs.50,000/- after successfully quoting for 85% of the trading time (from 9.15 a.m to 3.30 p.m)by providing 2 way continuous quotes as per spread size specification in all the 3 layers provided in Table 1 in current month contracts in all 20 stocks as per Table 2.
2. Roll Over Period (Expiry-1 and Expiry day of the current month contract)—Eligible MM shall be paid incentive from additional incentive pool of Rs.75,000/- after successfully quoting for 85% of the trading time (from 9.15 a.m to 3.30 p.m) by providing 2 way continuous quotes as per spread size specification provided in Table 1 in Near month Contracts of all 20 underlying stocks as per Table 2.
3. **MM has to keep spread size specification as per Table 1, in all 20 stocks as per Table 2**

Table –1—Types of spread size specifications.

Details	% of bid price	No of Lots
Layer 1	0.20%	1
Layer 2	0.25%	1
Layer 3	0.30%	1

Table—2— List of 20 underlying stocks eligible under LEIPS Stock Futures scheme with pre defined spread size obligation type.

Sr No	Underlying.
1	STATE BANK OF INDIA
2	ICICI BANK
3	HDFC BANK
4	AXIS BANK
5	INFOSYS LTD
6	RELIANCE INDUSTRIES
7	TATA STEEL
8	LARSEN & TOUBRO
9	TATA MOTORS
10	TCS
11	SUN PHARMA
12	BHEL
13	MARUTI
14	HINDALCO
15	ITC
16	HERO MOTOCORP
17	CIPLA
18	HDFC
19	ONGC
20	BHARTI AIRTEL

Annexure 2

- **For Turnover between GMP to GMP** - Trading incentive to be capped at 5% of the volumes of the two side EXCHANGE turnover (i.e Exchange Turnover X 2) per member vis-à-vis other member.

If turnover between GMP A and GMP B is more than 5% of exchange turnover, then both will be eligible for the incentives upto 5% of Exchange turnover only.

For Example—

GMP A Turnover – Rs.30Cr, GMP B Turnover – Rs.30Cr, GMP A to GMP B Turnover – Rs.25Cr, Exchange Turnover Two Sided – Rs.400Cr (200 X 2)

In this case, 5% of 2 sided Exchange turnover = Rs.20Cr.(i.e Rs. 400 crs*5%) GMP A & GMP B each will get incentive upto Rs.20Cr of their turnover only.

- **For turnover between MM to MM / MM to GMP and GMP to MM there will not be any such restriction as mentioned above.**
- ***(Note—For quoting based incentives, the existing slabs of 85% as per annexure 1 will remain applicable as is)***

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 STOCK Futures 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 STOCK Futures 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

Registration Form for Market Maker in LEIPS-Stock Futures

(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-Stock Futures as Market Maker

1. We _____ (name of the member / Clearing Number) are registering as 'Market Maker' (MM) in listed underlying in accordance to the terms and conditions stated in the LEIPS-STOCK FUTURES – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-STOCK FUTURES – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-STOCK FUTURES – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-STOCK FUTURES 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/MRD/DP/14/2014 .
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