

**National Stock Exchange Of India Limited****Department: SURVEILLANCE**

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Date: March 22, 2020

Circular Ref. No: 151/ 2020

**To All NSE Members****Sub: Revised position limits in Equity Index Derivatives (Futures and Options)**

This has reference to the Press Release No. PR No. 18/2020 by SEBI on March 20, 2020 titled – “Regulatory measures taken by SEBI in view of ongoing market volatility”. Copy of the same is attached herewith. Point 3 of Annexure A, of the Press Release is as under.

**Quote “****3. Index Derivatives****Revised position limits in equity index derivatives (futures and options)**

- (i) Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:
  - a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds’ / FPIs’ / Trading Members’ (Proprietary) / Clients’ holding of stocks.
  - b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds’ / FPIs’ holding of cash, government securities, T-Bills and similar instruments.
- (ii) Further to 3(i) above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients:
  - a. Equity Index Futures Contracts: Rs. 500 Crores.
  - b. Equity Index Options Contracts: Rs. 500 Crores.
- (iii) If any of the aforesaid entities exceed the respective limits prescribed at 3(i) and 3(ii) above, an additional deposit shall be payable by the entity equivalent to double the amount of margin chargeable on excess position beyond the limits prescribed at 3(i) and 3(ii) above and the same shall be retained by stock exchanges / clearing corporations for a period of 3 months.
- (iv) The existing positions as on the date of issuance of the circulars by the stock exchanges / clearing corporations would not be impacted (i.e., the positions shall be permitted to be held till expiry or close-out, whichever is earlier). However, if a fresh position is taken, then the entire positions (including the grandfathered positions) shall be subject to limits mentioned above.
- (v) The above framework may be applicable for a period of 1 month, w.e.f. March 23, 2020 for institutions and trading members (proprietary). For others, the applicability will begin w.e.f. March 27, 2020.

**“Unquote**

Various scenarios with reference to Point no. 3 of Annexure- A of the above-mentioned Press Release, on “Index Derivatives- Revised position limits in equity index derivatives (futures and options)” are as follows.

| Value in Crs (negative is short and positive is long)<br>based on Previous day close price/ settlement price |  |   |  |  |
|--|--|---|--|--|
| Scenarios  | Futures<br>Positions Value<br>(Netted all<br>expiries) | Options<br>Positions Value<br>(Netted across<br>Call Puts, based<br>on sentimental<br>positions across<br>expiries) | Excess Positions<br>Value (After<br>giving benefit of<br>Rs. 500 Crores) | Requirement  |
| 1  | -400   | -400  | 0  | No Action. Both within Rs. 500 Crs limit                                     |
| 2  | -400   | -600  | -100   | Action. Short side Underlying required for Rs. 100 Crs                       |
| 3  | -600   | -400  | -100   | Action. Short side Underlying required for Rs. 100 Crs                       |
| 4  | -600   | -600  | -200   | Action. Short side Underlying required for Rs. 200 Crs                       |
| 5  | -600   | 300   | -100   | Action. Short side Underlying required for Rs. 100 Crs                       |
| 6  | -600   | -1000   | -600   | Action. Short side Underlying required for Rs. 600 Crs                       |
| 7  | -600   | 600   | 100  | Action. Short side required underlying for Rs.100 crs                        |
|  |  |   | -100   | Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs  |
| 8  | 600  | -600  | 100  | Action. Short side required underlying for Rs.100 Crs                        |
|  |  |   | -100   | Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs  |
| 9  | 600  | 100   | 100  | Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs       |
| 10   | 600  | 300   | 100  | Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs       |
| 11   | 600  | 600   | 200  | Action. Long side Cash, GSec, TBills Rs. 200 Crs only for FPIs and MFs       |
| 12   | 2000   | -2000   | 1500   | Action. Short side required underlying for Rs.1500 Crs                       |
|  |  |   | -1500  | Action. Long side required Cash,GSec,TBills for Rs 1500 Crs for FPIs and MFs |
| 13   | -2000  | 1000  | -1500  | Action. Short side required underlying for Rs.1500 crs                       |
|  |  |   | 500  | Action. Long side required Cash,GSec,TBills for Rs 500 Crs for FPIs and MFs  |
| 14   | -750   | 250   | -250   | Action. Short side Underlying required for Rs. 250 Crs                       |

- A. The requirement for the entity as specified in the above table under “Requirement” for all net short positions under the column “Excess Value” will be checked against,
- Portfolio value available in the DEMAT account with depositories, AND,
  - Value of any purchases for the which the PayOut has not taken place.

In case such underlying portfolio is not available, an additional deposit (i.e. twice the difference in margin on all actual Total Index Positions vis a vis margin if Total Index Positions are within limits) as specified in “3(iii) of Annexure A” of the Press Release will be payable by the entity. The same shall be retained by the Stock Exchange for a period of 3 months. Such additional deposit shall be accepted in Cash and FD (lien marked in favour of National Stock Exchange of India Limited).

- B. Similarly, the requirement for the entity as specified in the above table under “Requirement” for all net long positions under the column “Excess Value” for MF/ FPI, will be matched with value of

holding in Cash, Government Securities, T bills and Similar Instruments. The extant clearing corporation mechanism will be utilized to obtain the value of holding in Cash, Government Securities, T bills and Similar Instruments. In case such holding in Cash, Government Securities, T Bills, and similar Instruments is not available, an additional deposit (i.e. twice the difference in margin on all actual Total Index Positions vis a vis margin, if Total Index Positions are within limits) as specified in “3(iii) of Annexure A” of Press Release will be payable by the entity. The same shall be retained by the Stock Exchange for a period of 3 months. Such additional deposit shall be accepted in cash and FD (lien marked in favour of National Stock Exchange of India Limited).

As specified in “3(iv) of Annexure A” of Press Release, existing positions will be not be impacted i.e. the existing positions shall be permitted to be held till expiry or close out, whichever is earlier. However, if a fresh position is taken then the entire position including the grandfathered position shall be subjected to the above limits. E.g. if an entity is holding short futures of say 10,000 Qty worth Rs.510 crores, which is grandfathered, and the entity increases the short position to say 10,050 Qty, then the entire position, worth approx. Rs 510 crores, shall be subjected to the process followed for short position as mentioned above. Similar will be case for fresh position taken in long positions which are grandfathered.

Apart from the above, there is no further change in the extant monitoring methodology. The above framework will be applicable for a period of one-month w.e.f. March 23, 2020 for Institutions and Trading Members (Proprietary). For others the applicability of this framework will begin w.e.f. March 27, 2020.

Trading Members are requested to take note of the above and ensure that the regulatory intent conveyed through the Press Release No. PR No. 18/2020 by SEBI on March 20, 2020, are complied with.

### **For National Stock Exchange of India Limited**

**Bireshwar Chatterjee**

**Vice President**

**Surveillance**

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