



CIRCULAR

SEBI/HO/MRD/DOP1/CIR/P/2019/28

February 08, 2019

To

All Recognized Stock Exchanges

Dear Sir/ Madam

Physical settlement of stock derivatives

1. Please refer to SEBI circular SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018 and circular SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018 on the captioned subject.
2. In furtherance to the aforesaid circulars, it has been decided, in consultation with Secondary Market Advisory Committee (SMAC) of SEBI, that in addition to the existing schedule of stock derivatives moving to physical settlement, if a stock satisfies any of the following criteria, then derivative on such stock shall be moved to physical settlement from the new expiry cycle.

Stocks which witness 10% or more intra-day movement on 10 or more occasions in last 6 months.

Or

Stocks which witness 10% or more intra-day movement on 3 or more occasions in last 1 month.

Or

Stocks which witness 25% or more intra-day movement on 1 or more occasions in last 1 month.

Or

Maximum daily volatility of the stock (as estimated for margining purpose) is more than 10% either in equity or equity derivatives segment in the last 1 month.



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

Exchanges shall review the above conditions on a monthly basis. Existing contracts on the stock, however, shall continue to follow the settlement mode as applicable at the time of contract introduction.

3. All other conditions specified in the SEBI circular SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018 and circular SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018 shall continue to remain in force.
4. Stock Exchanges are directed to:
 - (i) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - (ii) bring the provisions of this circular to the notice of the stock brokers/clearing members and also disseminate the same on their website;
 - (iii) communicate to SEBI the status of implementation of the provisions of this circular through monthly development report.
5. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. This circular is available on SEBI website at www.sebi.gov.in at "Legal Framework→Circulars".

Yours faithfully

(Amit Tandon)
Deputy General Manager
Market Regulation Department
email: amitt@sebi.gov.in