



CIRCULAR

SEBI/HO/MRD/DOPI/CIR/P/2018/161

December 31, 2018

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 captioned 'Review of Framework for Stocks in Derivatives Segment'.
2. In furtherance to the aforesaid circular, it has been decided that physical settlement shall be made mandatory for all stock derivatives.
3. Accordingly, stock derivatives which are presently being cash settled shall move to physical settlement in the following manner:
 - (i) Stocks which are being cash settled shall be ranked in descending order based on daily market capitalization averaged for the month of December 2018.
 - (ii) Based on the ranking arrived at sub-para 3(i) above, the bottom 50 stocks shall move to physical settlement from April 2019 expiry onwards, the next 50 stocks from the bottom shall move to physical settlement from July 2019 expiry onwards, and the remaining stocks shall move to physical settlement from October 2019 expiry onwards.
4. Derivatives introduced on new stocks, meeting the enhanced eligibility criteria (specified vide circular SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018) after the date of this circular, shall also be physically settled.
5. All other conditions specified in the SEBI circular SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018 shall continue to remain in force.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

6. 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.
7. 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.
8. This circular is available on SEBI website at www.sebi.gov.in at “Legal Framework→Circulars”.

Yours faithfully

(Sanjay Puro)
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